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Religious tensions rise in Malaysia

Associated Press

Vandals splashed the entrance gate of St. Elizabeth Church with red paint in Kota Tinggi, Johor State. The damage came Thursday as intruders ransacked offices of the legal team that is defending a Malaysian Catholic newspaper's right to use the word "Allah." **Page 5.**

Web policies are defended by Beijing

By Aaron Back And Ting-I Tsai

BEIJING—China defended its Internet policies in the wake of complaints of hacking and censorship by **Google** Inc., saying foreign Web companies were welcome to do business here "in accordance with the law."

Officials stopped short of saying how they will deal with the U.S. Internet giant's threat to stop filtering its local search results and potentially leave the Chinese market.

"China, like other countries, manages its Internet according to the law," Jiang Yu, spokeswoman for China's Ministry of Foreign Affairs, said Thursday at a press briefing. Ms. Jiang said China's Internet is open and that it has laws against online crimes such as hacking.

Google Tuesday said it had discovered a sophisticated attack on its computer system originating in China and that other foreign entities were hit in related attacks. That, and China's intensifying clampdown on free speech, prompted Google to decide it couldn't continue censoring google.cn—as it has done since the Chinese-language site was launched four years ago—and might need to shut its Chinese operations.

China's government was clearly caught off guard by Google's statement—like most of the world. Officials in Beijing had refused to discuss the issue, and it remains unclear what action they might take against Google. Ultimately, if it chose to, the government could both force the closure of google.cn and block access in China to Google's uncensored global site, google.com, and to its other Google services.

Ms. Jiang said China's "measures are in line with international practice," and emphasized that "we welcome international Internet companies to do business in China in accordance with the law."

Asked about the allegations of cyber attacks, she stressed the illegality of such attacks under Chinese law. But

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U.S. bank tax seeks $90 billion

WASHINGTON—President Barack Obama, declaring "we want our money back," said banks have a responsibility to make taxpayers whole for the financial-sector bailout and should pay a proposed tax by rolling back big bonuses.

*By **Damian Paletta**, **Jonathan Weisman** And **Deborah Solomon***

Mr. Obama, formally unveiling the plan at the White House Thursday, said his goal was not to punish banks, but to prevent them from a behavior of excess, including new employee bonuses he called "obscene."

The move marks the latest in a slew of proposed fees, penalties and constraints the White House envisions slapping on Wall Street during the cleanup of the U.S. financial crisis, and marks a new stage in the White House's populist assault on the finance industry.

If approved by Congress, the new tax—which the White House calls a "financial crisis responsibility fee"—would force about 50 banks, insurance companies and large broker-dealers to collectively pay the federal government roughly $90 billion over 10 years. Of the 50, about 35 would be U.S. companies and 10 to 15 would be U.S. subsidiaries of foreign financial firms.

A senior administration official said the largest 10 institutions would pay about 60% of the tax's total cost.

Roughly half the 50 would be U.S. banks, including the largest, **Goldman Sachs**, **J.P. Morgan Chase**, **Bank of America** and **Morgan Stanley**. Because large firms that benefited from the government's debt guarantees would also be included, the tax would hit companies such as **General Electric** Co. Banks that have repaid their TARP money wouldn't escape taxation.

The new tax would force 50 banks, insurance firms and broker-dealers to collectively pay over 10 years.

The taxed firms are expected to pay the cost of bailout money that went to General Motors Co. and Chrysler LLC, which are exempt from the tax. The administration official defended the omission by contending that U.S. auto makers collapsed in part because of a financial crisis of the banks' making.

The numbers could change as the final tally of losses from the $700 billion Troubled Asset Relief Program is calculated. The White House estimates that with a rash of repayments, TARP costs now stand at $117 billion, down from the $341 billion it estimated last summer. Officials said costs should ultimately fall to $90 billion, about what the tax is expected to raise, but the tax will stay in place until all of the costs are recaptured.

The top five Wall Street banks earned profits of about $30 billion through the third quarter last year. The pro-

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Business & Finance

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■ **Urban-property prices** in China rose 7.8% in December, their fastest pace in 17 months, adding to concerns that an asset bubble may be forming. **19**

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Agence France-Presse/Getty Image

Police escort a hooded suspect back to the scene of an acid attack in Hong Kong on Thursday. In the past week, police have arrested three men as they seek to get to the bottom of recent attacks, in which plastic bottles filled with corrosive drain solvent have been flung from high-rise buildings into crowded commercial districts. **Page 4**.

* * *

World-Wide

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■ **A fund-raising investigation** of a top Japanese ruling-party official could further undermine Hatoyama's government ahead of national elections. **3**

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If Google pulls out of China, it could damp interest in the Android mobile operating system.

Continuing coverage

Washington's anger at the banking industry: many feel it hasn't atoned for its sins, at WSJ.com.

China Real Time

blogs.wsj.com/digits

Paddy Power, an online betting site, sent out a news release Wednesday offering bettors 3-to-1 odds that Google will follow through before 2012 on its threat to quit China.

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WORLD NEWS

Japan probe burdens ruling party

Investigation into fund raising by DPJ official Ozawa threatens to hurt party's performance in July elections

By Yuka Hayashi

Associated Press

DPJ Secretary-General Ichiro Ozawa, center, leaves a hotel in Nagoya on Wednesday after a party for the DPJ, the same day prosecutors searched his offices.

TOKYO—A widening investigation into the political fund raising of a top Japanese ruling-party official could further undermine the government of Prime Minister Yukio Hatoyama ahead of national elections this summer.

A day after prosecutors searched for evidence of wrongdoing by the fund-raising organization of Ichiro Ozawa, secretary-general of Mr. Hatoyama's Democratic Party of Japan, opposition leaders vowed to grill Mr. Ozawa at parliament in the coming weeks to investigate allegations against his organization.

Analysts say such actions, combined with the intense media coverage of the probes, threaten to erode the popular support for Mr. Hatoyama's four-month-old government, which has already suffered from the prime minister's own political-funds scandal. The approval rating for his government fell to 48% in late December, compared with 71% when he took office in September, according to a poll by the Japanese daily Asahi Shimbun in late December.

"This is a huge development that could dominate Japan's political scenes for the rest of the year," said Minoru Morita, a political analyst. "The DPJ will face a tough fight in the upper-house elections."

Asked by reporters Thursday if he was considering asking Mr. Ozawa to step down as DPJ secretary general, Mr. Hatoyama said he had "no such idea now."

Tokyo prosecutors Wednesday raided the offices of Mr. Ozawa's fund-raising organization and those of a lawmaker who serves as its caretaker, on allegations of violating the nation's political-fund law.

After leading the DPJ to an overwhelming victory in the last national elections in August, Mr. Ozawa has been busy preparing the party for its next challenge: upper-house elections in July. The DPJ holds a comfortable majority in parliament's powerful lower house, but depends on two small coalition partners with sharply different views on some key policies to secure its control of the upper house. Winning the coming election is essential for the party to solidify its power base and implement its policy agenda.

According to Japanese media reports, prosecutors believe Mr. Ozawa's organization failed to properly record the sources of funds used to purchase a piece of land in Tokyo for 400 million yen ($4.4 million) in 2004 for the purpose of building a staff dormitory.

That, in turn, led to the suspicion that the funds were illegal donations from construction companies trying to curry favor with Mr. Ozawa to win large public-works orders. Such donations, if made, would be illegal because they weren't recorded, and because companies are barred under Japanese law from making donations to individual politicians.

Among such companies is **Kajima** Corp., a huge Tokyo construction firm, whose headquarters and a regional office were raided Thursday.

Speaking at a meeting of party supporters late Wednesday, Mr. Ozawa apologized for "causing trouble for everyone" but denied such allegations. "We never intended to do anything to violate the law," Mr. Ozawa said. "I do believe people understand that well, and that's why they gave us the mandate to run the country."

A spokesman for the prosecutors' office declined to comment.

A spokesman for Kajima confirmed the investigations of its offices. But the company said in a statement it believed it had made no donations in violation of the political-funds law.

A spokeswoman for Tomohiro Ishikawa, the lawmaker and caretaker of Mr. Ozawa's organization, confirmed raids into his offices but declined to comment further.

The 67-year-old politician walked onto the stage with a wide smile, but bit his lips and swung a clenched fist as he emphasized his innocence.

So far, Mr. Hatoyama and DPJ politicians have rallied behind Mr. Ozawa, a revered party elder known as "god of elections" for his unrivaled ability to pick and coach candidates.

Mr. Hatoyama himself has been under fire in recent weeks, after he admitted failing to pay taxes on funds donated by his wealthy mother.

Analysts say other members of the party will support Mr. Ozawa for now as so many of them feel indebted to the senior politician for helping them win their elections.

Opposition leaders said they would request Mr. Ozawa testify at parliament in the coming weeks. "We will use every weapon we have to uncover the truth," Sadakazu Tanigaki, president of the Liberal Democratic Party, told reporters. The LDP is a conservative party ousted by the DPJ last year after more than five decades in power.

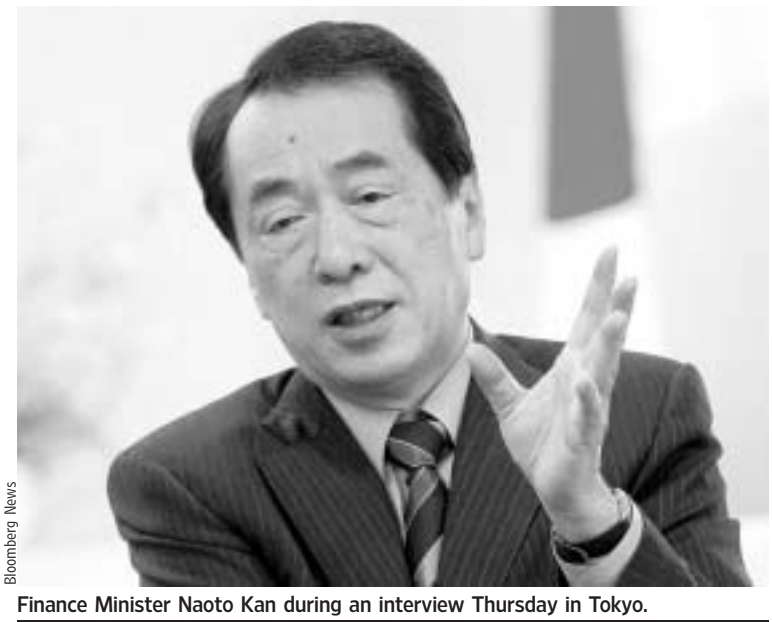
The probe is the second accusation against Mr. Ozawa's political fund-raising activities in a year. In May, his top aide was indicted for violating political fund-raising rules, a development that forced Mr. Ozawa to step down as DPJ president and cede his chance to become prime minister to Mr. Hatoyama.

Even though Mr. Ozawa is now a leader of a center-left party, he started out as a conservative politician who over decades gained influence within the LDP. He was mentored by two of the most powerful politicians in Japan's post-World War history: Kakuei Tanaka and Shin Kanemaru. Both were close to the construction industry and eventually were arrested for corruption.

Mr. Ozawa left the LDP in 1993 amid an internal power struggle, and helped form a coalition government made up of small parties. That government lasted only 11 months before the LDP returned to power. In 2003, Mr. Ozawa joined the DPJ and soon became its leader. He led the party to a victory in upper-house elections in 2007, accelerating the LDP's decline.

Japan's Kan is muted about value of yen

By Takeshi Takeuchi



Bloomberg News

Finance Minister Naoto Kan during an interview Thursday in Tokyo.

TOKYO—Japanese Finance Minister Naoto Kan on Thursday further toned down his rhetoric favoring a weak yen, saying that markets should generally set foreign-exchange rates unless their moves are particularly sharp.

"My view on foreign exchange is that markets in principle should decide foreign-exchange rates," Mr. Kan told a group of reporters. "Unless currency moves are extremely volatile, it's good to follow this principle."

Mr. Kan's comments come in stark contrast to his remarks on currency policy last week, when he was named to succeed Hirohisa Fujii, who resigned from his post for health reasons.

At his first news conference as finance minister last week, Mr. Kan said that he wanted the yen to become "a bit weaker" and that many Japanese companies hope that the yen will weaken to around 95 yen to the dollar.

A strong yen hurts Japan's key exporters because it makes their products more expensive abroad and reduces the value of profit from other countries.

While the finance minister softened his tone in a second news conference on Friday by saying currency rates should in general be set by market forces, Mr. Kan still maintained that "as minister directly in charge of such matters, I must give sufficient consideration to expectations and hopes held by the [Japanese] business sector" on the yen's exchange rate.

His remarks briefly sent the yen to a four-month low of 93.78 yen against the dollar.

The absence of remarks advocating a weak yen Thursday isn't likely a strong indicator of his inclination. Direct references to currency levels have in principle been a taboo among international currency-policy makers.

Turning to the upcoming meeting in early February of finance ministers and central-bank governors of the Group of Seven countries, Mr. Kan said that a major topic would be how to solidify the global economic recovery.

"Some areas, especially Asia, have shown solid economic recovery from the so-called Lehman shock [in 2008]. But other countries still have their own problems, and I'd like to explore ways to help the global recovery" through exchanges with G-7 counterparts, he said.

Mr. Kan also said the issue of China's foreign-exchange rate could become a topic at the Group of Seven meeting, but he didn't elaborate further.

As for the domestic economy, the finance minister welcomed the Bank of Japan's recent stance on deflation, which threatens the country's return to economic growth.

Last month, Japan's central bank said it won't tolerate falling consumer prices, escalating its rhetoric. The move followed public pressure by some government officials for the central bank to take steps to fight deflation.

"Not only did the BOJ ease monetary policy in early December last year, it also clarified its resolve to fight deflation" by making clear acceptable price ranges, Mr. Kan said. "The cooperation between the government and the BOJ is now going very well."

Singapore's expat surge fuels fears

Citizens who are pressured by the economic crisis say jump in immigrants has raised prices and kept down wages

By Patrick Barta And Tom Wright

SINGAPORE—For years, this rich city-state has marketed itself as one of the world's most open economies.

But as Singapore recovers from recession, its residents are questioning a key part of the country's economic model: its longstanding openness to foreigners.

Singapore has thrown open its doors to bankers and expatriates in recent years, making it easy in many cases to establish residency and hastening the country's emergence as an Asian version of Dubai. It also welcomed low-skilled laborers from Bangladesh and other developing countries to help man construction sites and factories.

The goal was to capture more Asian wealth and offset Singapore's low birth rate with immigrants, spurring economic growth. But the push has also fueled discontent, turning immigration into a red-hot political issue in a country where dissent is still tightly controlled by the government.

Between 2005 and 2009, Singapore's population surged by roughly 150,000 people a year to five million—among the fastest rates ever there—with 75% or more of the increase coming from foreigners. In-migration continued in 2009 despite expectations it would collapse because of the global recession.

The influx helped to boost Singapore's economy in the short run by creating new demand for goods and services and helping manufacturers keep labor costs low. Developers built apartments and posh shopping centers for the new arrivals.

By some estimates, a third or more of Singapore's 6.8% average annual growth from 2003 to 2008 came from the expansion of its labor force, primarily expatriates, allowing Singapore to post growth more commonly associated with poor developing nations.

At the same time, though, foreign workers have driven up real-estate and other prices and made the city-state's roads and subways more congested. Their arrival has kept local blue-collar wages lower than they would be otherwise, exacerbating Singapore's gap between rich and poor.

Agence France-Presse

Two expatriates in Singapore's financial district in December.

Some economists say the most damaging effect of the immigration is that the influx appears to be putting a lid on productivity gains, as manufacturers rely on cheap imported labor instead of making their businesses more efficient. Labor productivity, or output per employee, fell 7.8% in 2008 and 0.8% in 2007—a phenomenon that could eventually translate into lower standards of living.

Lee Ah Lee, a 58-year-old who makes 850 Singapore dollars a month (about US$600) clearing tables in a cafeteria, says the flood of immigrants has made it hard to make ends meet by pushing down blue-collar pay in Singapore, which has no legal minimum wage. Sitting nearby in a drab apartment block built by Singapore's Housing Development Board, a state-owned body that constructs and sells subsidized housing, 79-year-old Lee Kwang Joo says low-skilled foreign workers are often housed in corporate dormitories, meaning they have no housing costs and can survive on lower pay.

On Temasek Review, a Web site dedicated to Singaporean affairs, one writer recently warned Singaporeans would be "replaced" as "3rd class citizens" by foreigners, while another said that immigration "will emerge as the single most important issue" in Singapore's next general election, due by 2011.

Immigration "kept our economic growth high, but at a tremendous cost," says Kenneth Jeyaretnam, the secretary-general of Singapore's Reform Party, a small opposition party founded in 2008. Relying on foreign labor to help boost growth is unsustainable, adds Choy Keen Meng, an assistant professor of economics at Singapore's Nanyang Technological University. He says a better model would involve reining in immigration and accepting that Singapore is becoming a more mature economy like the U.S. or Europe, with a long-term growth rate of 3% to 5% a year.

Singapore, unlike many of its neighbors, has a reputation for reliable public services and minimal corruption. Its openness to foreign investment is one reason why gross domestic product is expected to rebound to 4.5% this year, according to the Asian Development Bank, from a contraction of 2.1% in 2009.

Still, Prime Minister Lee Hsien Loong, speaking at a Singapore university in September, said there was a need to be "mindful of how quickly our society can absorb and integrate" new arrivals, and vowed to curb immigration.

The government is also studying immigration as part of a wide-ranging review of the city-state's economic model launched in 2009. Results of the review, due this month, are expected to include steps to diversify Singapore's economy and reduce its reliance on exports to the U.S. and Europe by boosting domestic consumption, among other things.

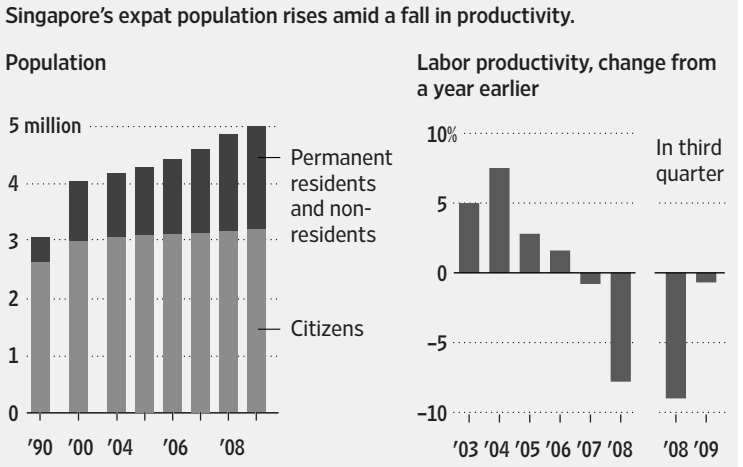
Yet people familiar with the government's plans say it is unlikely to press for deep cuts in immigration, and will aim to find other ways to restore productivity growth. Singapore remains committed to a long-term goal of increasing the population to 6.5 million, though it would do so by prioritizing high-skilled residents as opposed to blue-collar workers.

Immigration "is not a weakness, it's a strength," said one person familiar with the long-term economic planning process. "People want to come here, why not make use of that strength?"

Serious cuts to immigration could also generate a backlash from other interests—notably the factory owners and real-estate developers who rely heavily on foreign arrivals. Many employers complain that local Singaporeans, accustomed to a higher standard of living than most other Southeast Asians, are unwilling to take on menial jobs, and are likely to resist further tightening of foreign labor supply.

Changing picture

Singapore's expat population rises amid a fall in productivity.



Note: Population data based on mid-year estimates and censuses taken in 1990 and 2000
Source: Singapore Department of Statistics

Man is charged for Hong Kong acid attack

By Jonathan Cheng

HONG KONG—Police here Thursday charged a man in connection with one of a string of acid attacks in busy areas that have shaken confidence in a city that usually boasts low levels of violent crime.

In the past week, police have arrested three men as they seek to get to the bottom of the attacks, in which plastic bottles filled with corrosive drain solvent have been flung from high-rise buildings into crowded commercial districts—typically on weekends and busy shopping days.

In many of Hong Kong's best-known retail districts, densely packed high-rise towers mix with older buildings that typically don't have security guards or password-protected entrances. That makes it easy for a perpetrator to slip quickly away from a crime scene without being spotted by bystanders or video cameras.

Two of the men were arrested on Wednesday night in connection with an attack last month in Causeway Bay district. Police said late Thursday that one of the men, 23 years old, has been charged with the offense of "throwing corrosive fluid with intent to do grievous bodily harm," which carries a maximum sentence of life imprisonment. The man will appear in a Hong Kong court Friday. The other man who had been arrested, 18 years old, was released. Six people were injured in the attack, two seriously.

Yu Tat-chung, senior superintendent for Hong Kong Island's crime unit, said that at this stage of the investigation, there was no reason to believe the man getting charged was involved in anything beyond the Causeway Bay attack. Mr. Yu declined to comment on any possible motives, and said the next step was to track down suspects in the other acid attacks.

On Jan. 9, police arrested another man who was hiding on the rooftop of a building close to where an acid attack had taken place just hours earlier, though they later said he wasn't the culprit. Thirty people, almost a third of whom were tourists, were hurt in that attack, at the city's popular Temple Street night market.

The acid attacks in busy areas have brought a measure of fear to a city that has prided itself on its relatively low crime rate.

"Hong Kong police has the full confidence and ability to detect the case and arrest the culprit(s)," a police spokeswoman said, appealing to the public to report any suspicious people they may spot in their buildings. "Hong Kong is still a safe city," the spokeswoman said.

The attacks have brought a measure of fear to a city that has prided itself on its relatively low crime rate. Crime rates have steadily fallen in recent years, and gun violence is rare, though policemen are generally armed. Violent crime such as knifings with meat cleavers—typified by the city's notorious triads, or organized crime gangs—is no longer common.

It's unclear how many people are involved in the attacks. The assaults, in the Mong Kok, Temple Street and Causeway Bay districts popular with tourists and local shoppers, appear to be aimed at attracting a maximum amount of attention and inflicting substantial damage.

The first incident was in December 2008 when two bottles of acid were hurled into a pedestrian shopping area packed with Christmas shoppers, burning 46 people. A second attack in May last year injured 30 people, forcing tourism officials to call on tourists to stick to indoor shopping malls.

Police responded to the attacks by posting 300,000 Hong Kong dollars (US$38,700) rewards for any information, while a neighborhood group pooled money for a HK$1.7 million surveillance system. Just hours after that surveillance system was installed, however, another bottle of acid flew into the streets, injuring 24 people. Hong Kong's chief executive, Donald Tsang, condemned the acts as "cold-blooded and malicious."

Agence France-Presse/Getty Images

Forensic experts investigate following an incident at a law office in Petaling Jaya, near Kuala Lumpur on Thursday.

Offices are ransacked

Lawyers in Malaysia are defending Catholics over use of 'Allah'

By James Hookway

Intruders ransacked the offices of the legal team that is defending a Malaysian Roman Catholic newspaper's right to use the word "Allah" in its Malay-language pages, church officials said, marking a fresh escalation of the bitter dispute.

The Rev. Lawrence Andrew, editor of the Catholic Herald, said legal staff found door locks forced open and papers scattered across the floor when they arrived for work on Thursday morning. Derek Fernandez, the main lawyer acting for the newspaper, said closed-circuit television cameras were vandalized to prevent them recording the incident, and that a laptop computer was missing.

"My first impression is that the break-in is related to the Allah case," Mr. Fernandez said. "It is designed to intimidate us in the case we are handling for the Herald."

The Associated Press quoted Arjunaidi Mohamed, the police chief of the Kuala Lumpur suburb where the breakin occurred, as saying it was too early to link the raid to the recent spate of church attacks.

The ransacking comes amid rising religious tensions in Malaysia after the country's High Court on Dec. 31 ruled that Christians can use the Arabic word Allah in their Malay-language publications. Many Muslims were angered over the ruling, saying the word should be exclusive to Muslims, who could be tricked into following Christianity if non-Muslims are permitted to use the term.

Since the ruling, which the government is appealing, 10 churches have been attacked in various parts of the country with Molotov cocktails or defaced with paint. Arsonists razed the administrative office of one to the ground. A Sikh temple was also attacked with stones late on Wednesday, possibly because Sikhs also use the term "Allah" in some scriptures.

The Catholic Church, meanwhile, argues that the Arabic word is the only acceptable translation for God in the Malay language, and that Malaysian churches attending to indigenous, Malay-speaking tribes have been using the term for decades.

The dispute presents an awkward problem for Malaysian Prime Minister Najib Razak, who must call an election by 2013. Political analysts say he needs to retain the support of the country's Muslim majority while winning back votes from the large ethnic-Chinese and Indian minorities, many of whom backed an opposition coalition in the most recent elections in 2008.

Some economists, meanwhile, worry that Muslim anger over the Dec. 31 court ruling could dissuade Mr. Najib from pushing for further reforms of Malaysia's race-based affirmative action program.

Known as the New Economic Policy, the decades-old initiative was designed to give a boost to the country's Muslim Malay majority and help them catch up economically with their ethnic-Chinese compatriots.

Mr. Najib and other government leaders—as well as many business leaders—argue that Malaysia needs to provide a more level playing field to stimulate economic growth, but analysts say carrying out reforms will be politically difficult.

—Celine Fernandez in Kuala Lumpur contributed to this article.

Japan core orders fall to monthly low

By Takashi Mochizuki

TOKYO—Japan's core machinery orders, an important indicator of trends in corporate capital spending, fell to their lowest level on record in November, underscoring the continued sluggishness of the country's domestic demand.

However, although the core orders figure is the lowest since the government began compiling such data in April 1987, the overall trend remains firm as manufacturers are likely to be supported by overseas demand ahead, a cabinet official said.

Core orders dropped 11.3% from October to 625.3 billion yen ($6.84 billion), the cabinet office said. That was in stark contrast to the 1.2% mean increase forecast in a survey by Dow Jones Newswires and the Nikkei, and followed a 4.5% month-to-month decrease in October. Core orders exclude volatile orders from electric power companies and those for ships.

Behind the sharp drop were big declines in orders from both manufacturers, who placed 18.2% fewer orders, and from nonmanufacturers, whose total decreased 10.6%.

The Cabinet Office said demand from the telecommunications and financial industries was especially weak.

Machinery orders figures tend to be volatile, so a sharp downward swing in monthly data doesn't automatically mean a further weakening in capital investment is coming.

Still, analysts say that overall, companies don't appear to have much desire to boost capital spending now due to the weak economy, and the orders data reflect that.

A recovery in orders is "unlikely to come until we get a more sustainable recovery in business investment, which probably won't come until the second half of this year," given persistent deflation and corporate cost-cutting, said Toshihiro Nagahama, senior economist at Daiichi Life Research Institute.

Australian jobs surge stirs rate talk

By James Glynn

SYDNEY—The Australian economy created a further 35,200 jobs in December, its fourth straight month of surprisingly strong gains, pushing unemployment to an eight-month low and greatly increasing the likelihood of a February interest-rate rise.

The Australian dollar rose by half a U.S. cent and bond prices fell as financial markets raised expectations that the Reserve Bank of Australia will increase again in February to 70% from around 50% prior to the data.

"I had thought the labor market was looking pretty good but even my optimistic jaw dropped when I saw these numbers come up," said Adam Carr, senior economist at ICAP.

Unemployment fell to a seasonally adjusted 5.5% in December from 5.6% in November, the Australian Bureau of Statistics said. Full-time employment rose 7,300, while the number of people in part-time work rose 27,900.

Australia's commodity-rich economy has been in recovery mode since the second half of 2009, with 135,700 jobs created since August, the fastest pace of job creation since mid-2006.

With the contrast growing more stark between Australia and flagging economies such as the U.S. and the U.K., the jobs data appear to have validated the RBA's decision in late 2009 to be the first central bank in the Group of 20 to start raising interest rates.

"Today's figures provide further evidence of how Australia has outperformed virtually every other advanced economy during the global recession," Julia Gillard, employment minister, said in a statement. "Compared to an unemployment rate of 10% in both the U.S. and now Europe, today's result shows what we've achieved by Australians pulling together in tough times and getting behind the government's stimulus actions."

Economic policy makers are now waking to a set of challenges in 2010 that include growing concerns about inflation, forcing a switch in monetary policy from accommodative to restrictive by year end.

The RBA's cash rate target is currently set at 3.75%, having been hiked in October, November and December.

—Geoffrey Rogow and Enda Curran contributed to this article.

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Reuters

A resident loots food on Thursday from the Caribbean supermarket in downtown Port-au-Prince after a major earthquake hit the Haitian capital on Tuesday.

Haitians scramble for aid

Quake survivors seek out basics in ravaged capital; nations mobilize relief efforts

By Charles Forelle
And Pooja Bhatia

PORT-AU-PRINCE, Haiti—Haitians grew desperate for international aid on Thursday as survivors from the earthquake that claimed countless victims roamed the streets looking for basics such as water, pleaded for medical care, or tried to dig out loved ones from the rubble.

Tens of thousands of survivors, many carrying what few possessions they had, were huddled in the city's plazas and streets. The stink of human waste hung in the air. A grim silence was pierced by an occasional cry for help from beneath the ruins.

Overnight, hundreds of survivors who had been huddled in the city's main plaza went running for the hills when someone shouted "water," sparking fears that continuing aftershocks had started a tsunami. Police managed to convince them that no tsunami was coming.

"We never sleep," said Ulysse Savadieu, a 26-year-old business student who worked with the U.N. peacekeeping mission. The U.N. headquarters was destroyed and as many as 200 U.N. workers were still missing. "Every time there's an aftershock people start crying and praying."

As dawn broke on Thursday, people could be seen wandering the streets, clutching few possessions: pots, pans, suitcases, duffel bags, plastic bags.

A Chinese rescue team and two rescue teams from the U.S. arrived late on Wednesday, officials said. About 50 Chinese rescue workers in orange jumpsuits arrived with trained dogs aboard an Air China plane. United Nations Secretary General Ban Ki-moon said the U.N. would coordinate the rescue effort of teams from various nations that will be arriving in coming days.

Relief teams with the U.S. Army's 82nd Airborne division are expected to arrive later on Thursday, and the U.S. aircraft carrier Carl Vinson is steaming toward the island. U.S. Coast Guard vessels are already working to evacuate some of the injured, including U.S. citizens, officials said.

France, the Dominican Republic, Brazil and other nations were also sending help to the Haitian capital, U.N. officials said. The government of Mexico, which regularly suffers from earthquakes, said it sent a team of specialists with trained dogs to help look for survivors.

Haitians who were injured during the quake were desperate for medical attention. "I have one child with a broken arm, one child with a broken leg," said Evelyne Louis, a 30-year-old housewife. Her 25-year-old sister died during the Tuesday quake. Ms. Louis put her sister's body outside the local police station, but now the body is gone, and she doesn't know where it has been taken.

Ms. Louis's ankle was severely swollen and scabbed with dried blood, gravel embedded in the skin. She said she hadn't been able to clean it because "we can't find any doctor, we can't find any supplies—and we can't even find water to drink, let alone wash."

For many Haitians, help was already too late. Haitian officials have said the death toll could top 100,000. U.S. Secretary of State Hillary Clinton compared the tragedy to the Asian tsunami that killed more than 220,000 people five years ago.

"This will be a very high loss of life as well," said Mrs. Clinton, who said she is cutting short a trip to the Asia-Pacific to return to Washington to help oversee U.S. relief efforts. Though too early to make an estimate of the death toll, "tens of thousands, we fear, are dead," Mrs. Clinton said early Thursday.

Wanson Desous, 40, and his wife, Milyene, 23, watched their 6-year-old girl get crushed by a wall during the Tuesday quake. "We were inside the house, and she was outside, and she started to run inside and the wall just fell on her." He was wrapped in a dirty comforter. Milyene, with wide eyes and a bandage wrapped leg, said she thought her leg was broken.

Untold numbers of Haitians have lost their homes. At the Canape Vert plaza in the city, seemingly every person had lost their home. Ms. Savadieu said her house, in a region up the hill from Canape Vert, was demolished. She and 11 family members lived in the five-room house.

In the Turgeau neighborhood, the family of Magaly Roland, a 28-year-old literacy teacher, was making plans to leave the city and set up a camp in the hills. "I don't know how long we'll stay," she said. "But we can't stay in our house; there's a wall that fell and the rest is going to fall any moment."

She readied buckets filled with food, a cooking stove, gallons of water, and pots, and blankets. Ms. Roland said the family was heading to a field in the mountains that they knew.

Concern also grew about the spread of disease and infections from the thousands of bodies littering the streets. Many streets began to smell of death.

Judith Cadet, a 34-year-old secretary, was one of a couple of women who had started sweeping the Canape Vert plaza. "I'm going to sweep the entire plaza," she said, because "We must keep it clean. Filth is a sin. And we're humans, we're not animals."

Officials at the U.N, which had thousands of peacekeepers and other relief workers stationed in Haiti at the time of the quake, reported on Thursday that up to 200 workers, including peacekeepers, remained missing in Port-au-Prince, with as many as 100 trapped in the rubble of its headquarters at the Christopher Hotel. The mission's head, Hedi Annabi, also was feared dead.

Brazil's army said at least 11 Brazilian members of the 9,000-strong U.N. peacekeeping mission in Haiti were killed.

At a briefing on Haiti before the U.N. General Assembly on Wednesday afternoon, former President Bill Clinton, the U.N.'s special envoy to Haiti, said the country's top relief priorities now are water, food, shelter and first-aid supplies.

"That's what we need," he said. He urged people who would like to help to donate cash to relief organizations, and not supplies.

From hills around the city, once the proud seat of the world's first black republic, one could see a changed cityscape. The white domes of the National Palace had collapsed on the walls below, the roof and sides of the National Cathedral were gone, and, in the distance, the slum of Bel Air looked flattened.

Citigroup Inc.'s three-story office building in Port-au-Prince was destroyed, and the New York company was trying to account for all of its 40 employees.

In a country that is deeply divided between the rich and poor, people at all socioeconomic levels suffered.

Grand houses in bourgeois neighborhoods such as Pacot and Pétionville were leveled. The capital's most prominent hotel, the Hotel Montana, was damaged, trapping scores of guests, according to eyewitnesses.

Several hospitals were badly damaged. Medical aid group Doctors Without Borders said its three hospitals in Haiti were unusable.

U.S. missiles in Pakistan target Mehsud

By Zahid Hussein
And Matthew Rosenberg

A pair of missiles fired from a U.S. drone slammed into a mud-walled compound in northwestern Pakistan Thursday, killing at least 12 people in what Pakistani officials said was an attempt to kill the leader of the Pakistan Taliban.

Intelligence officials and militants said the militant chief, Hakimullah Mehsud, wasn't among the victims, the Associated Press reported. Those accounts couldn't be independently confirmed.

The drone strike was the eighth inside Pakistan in the past two weeks. It hit a village on the border between South and North Waziristan, a tribal region that is home to powerful factions of the Afghan Taliban and the Pakistani offshoot of the militant movement. Al Qaeda, too, is believed to have a significant presence in the area.

The surge in missile strikes followed a Dec. 30 suicide bombing at a U.S. base in eastern Afghanistan that killed seven Central Intelligence Agency officers. That attack was carried out by an al Qaeda double agent who is believed to have been aided by the Taliban factions in North Waziristan. The Pakistan Taliban recently released a video showing Mr. Mehsud with the bomber before the attack.

Mr. Mehsud was the intended target of Thursday's U.S. missile strike, said two Pakistani intelligence officials. The missiles hit a former Islamic school that had been taken over by the Taliban, one of the intelligence officials said. All of the 12 people killed were believed to be militants, the official said.

Mr Mehsud's predecessor, Baitullah Mehsud, was killed in August by a U.S. missile strike in South Waziristan. At the time, the Taliban denied for days that Baitullah Mehsud had been killed, and Pakistani and U.S. officials waited three days before publicly confirming his death.

There was no immediate comment about Thursday's strikes from U.S. officials, who don't openly discuss the drone campaign because it remains technically classified.

U.S. officials have privately said the recent attacks aren't retaliatory and are ordered as specific targets appear.

The strike came as Richard Holbrooke, the U.S. special envoy to Pakistan and Afghanistan, was visiting parts of Pakistan.

The campaign of missile strikes has provoked widespread resentment in Pakistan, where the attacks are often viewed as a violation of the country's sovereignty.

Pakistan's leaders, too, have been publicly critical of the drone campaign, although both Pakistani and U.S. officials privately say Islamabad secretly aids the effort.

The drones have also been used to provide reconnaissance for an ongoing Pakistani offensive against the main faction of the Pakistan Taliban in South Waziristan. The offensive began in October, and the Pakistanis have reported major gains in the region.

Elsewhere in the tribal belt Thursday, a roadside bomb killed an anti-Taliban tribal elder and wounded six others as they traveled in a car following a meeting with other local elders, the latest in a series of such assaults, the AP reported.

Muted growth is forecast

Economists think '09 ended strong but joblessness tempers outlook

By Phil Izzo

The U.S. economy likely ended 2009 with a bang, according to economists in the latest Wall Street Journal forecasting survey, but their outlook for this year remains muted with the unemployment rate projected above 9% throughout 2010.

"Normally the bigger the recession, the bigger the recovery," said Paul Ashworth of Capital Economics. "But recoveries after financial crises tend to be lackluster, as people remain cautious and credit remains hard to get a hold of."

On average, the 56 surveyed economists, not all of whom answer every question, expect the government will report later this month that gross domestic product grew 4.3% in the fourth quarter at a seasonally adjusted annual rate, up from the 2.2% recorded in the third quarter of 2009.

GDP expansion is expected to slow to around 3% throughout this year. They put just a 16% chance that the economy will enter another recession in 2010.

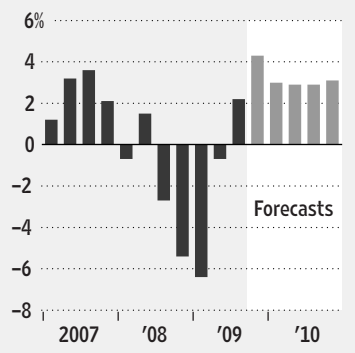
A lot of the fourth-quarter gain is seen coming from companies rebuilding inventories or trimming them at a slower rate, which could contribute up to three percentage points to growth.

As 2010 wears on, it remains unclear whether there is enough demand in the economy to create significant growth, especially as the impact of fiscal stimulus wanes and the Federal Reserve begins to curtail its emergency programs in the second half of the year.

"The consumer, I think, is still going to be cautious after taking a massive hit to net worth, even with the rebound in the stock market," said Michael Carey of Calyon Corporate and Investment Bank. "The negative wealth effect will play out over a year or more. Meanwhile, with unemployment so elevated, people are saving more for precautionary reason. And even if you want to spend, your access to credit is curtailed."

Slow going

U.S. inflation-adjusted GDP, change from previous quarter



Note: At a seasonally-adjusted annual rate
Source: U.S. Commerce Department; WSJ Survey

The good news is that even with slower growth, the economy should start adding jobs this year. On average, the economists forecast that about 1.4 million jobs will be created over the next 12 months.

Still, that is just a fraction of the estimated eight million positions cut during the recession, meaning that the unemployment rate will decline slowly.

One of the key issues holding down job growth is a growing disparity between small and large businesses.

This week, the National Federation of Independent Business released a report showing another decline in small-business optimism. That stands in contrast to the Business Roundtable's survey of chief executives of larger companies released last month that showed a strong increase in sentiment.

Big banks and large corporations that have access to capital markets have been the biggest beneficiaries of the Fed's emergency programs and low rates.

Small businesses, which employ nearly half of the U.S. work force, have had a harder time accessing credit. Tighter standards on home-equity loans and credit cards have hindered tiny operations. Other small businesses rely on regional banks, which have the most exposure to troubled commercial real-estate loans.

The Fed's latest survey of economic conditions nationwide, the so-called beige book, highlighted the continued weakness in the sector.

Despite expected slow growth, most economists (42 of 54 who answered the question) say that there is enough government stimulus in the pipeline.

"Give it time and you're likely to see stronger growth," said James O'Sullivan of MF Global, who noted that financial markets have largely normalized and the thaw for banks should continue with a lag. "There's a tendency for the consensus [forecast for GDP growth] to be around 3%," but during an expansion, a forecast above the consensus is a better bet. "Strength leads to strength and feeds on itself."

U.S. retail sales signal restraint

WASHINGTON—U.S. retail sales unexpectedly fell in December from the previous month, signaling restraint by consumers during the holidays as the economy wrestles with high unemployment.

*By **Luca Di Leo** and **Jeff Bater***

Meanwhile, the number of U.S. workers filing new claims for jobless benefits unexpectedly increased last week, although a drop in the four-week moving average showed claims are still trending downward.

Retail sales declined a monthly 0.3% in December, the Commerce Department said Thursday.

Economists surveyed by Dow Jones Newswires had forecast a 0.5% increase.

November sales, however, were adjusted upward, to a 1.8% monthly increase from a previously reported 1.3% gain. October sales also rose strongly, up 1.2% on the month.

"The net result for the two months [November and December] was slightly weaker than expected but not by enough to alter the big-picture view of the consumer," said Stephen Stanley, an economist at the Royal Bank of Scotland.

Solid consumer spending is expected to have helped the economy expand in the final three months of 2009 for the second consecutive quarter, economists predict.

However, they warn that a fading government stimulus and persistently high unemployment should restrain consumers in 2010.

The data follow reports that the holidays were better for retailers than a year earlier.

Luxury merchant **Tiffany** & Co., for instance, had higher-than-expected sales and raised its profit outlook for the year.

The jeweler said Tuesday its holiday same-store sales rose 8% in constant currencies, as U.S. same-store sales jumped 12%.

Excluding the car sector, all other retail sales in December fell 0.2%. Economists expected a 0.3% increase.

Solid consumer spending is expected to have helped the economy expand in the final three months of 2009.

The retail sales data are an important indicator of consumer spending. Consumer spending makes up 70% of the gross domestic product, which is the broad measure of U.S. economic activity. Thursday's report suggests high joblessness is restraining consumers.

In a separate report, initial claims for jobless benefits increased by 11,000 to 444,000 in the week ended Jan. 9, according to the Labor Department.

The previous week's level was revised to 433,000 from 434,000.

Economists surveyed by Dow Jones Newswires expected a decrease of 4,000 initial claims.

The four-week moving average, which aims to smooth volatility in the data, dropped to the lowest level since Aug. 30, 2008.

The Labor Department said the four-week moving average fell by 9,000 to 440,750 from the previous week's revised average of 449,750.

The key monthly jobs report released last week found that U.S. job losses were higher than expected in December 2009 and the unemployment rate remained at a lofty 10%.

Some economists fear that the high unemployment rate will hold steady for much of this year unless companies start hiring again.

That view was also reflected in a report by the Federal Reserve on Wednesday, which said that labor market conditions generally remained weak.

In the beige book that will be used for the Jan. 26-27 rate-setting meeting, the central bank said the economic recovery was broadening, but remains too weak to bring down unemployment.

The report also noted that price pressures remained subdued in nearly all of its 12 districts.

The Fed is expected to keep its benchmark interest rate at a record low near zero later this month due to low inflation and the substantial slack left in the U.S. economy.

Bernanke's puzzling logic on housing bubble's cause

[Capital]

By David Wessel

Ben Bernanke sounds like a fellow who hasn't learned anything.

In a speech to the American Economic Association, the U.S. Federal Reserve chairman argued that the ultra-low interest rates that he and Alan Greenspan pursued in the 2000s didn't cause the housing bubble that produced what Mr. Bernanke calls "the worst financial crisis in modern history."

Mr. Bernanke isn't arguing the Fed is blameless. He said "regulators" and "supervisors"—that would include the Fed—and "the private sector" screwed up by permitting so many mortgages to be made to people who couldn't afford them and then allowing the banks to build a financial house of cards on the assumption that house prices would never fall.

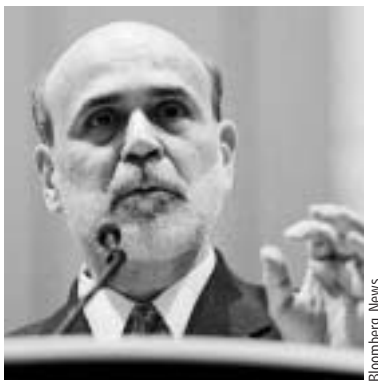
But even with the luxury of hindsight, Mr. Bernanke insisted that cutting key interest rates from 6% in late 2000 to 1% in 2003, and then lifting them very gradually from 2004 to 2006, was the right prescription amid a jobless recovery and a deflation scare—despite the housing bubble that ensued. "Only a small portion of the increase in house prices earlier this decade can be attributed to stance of U.S. monetary policy," he said.

This defies common sense. When interest rates are really low, people tend to borrow a lot. When people borrow a lot, they tend to bid up the price of assets such as houses and stocks. If the Fed decides the price of houses and stocks are going up too fast and too far, it could surely restrain that rise by raising interest rates to make borrowing more expensive.

But Mr. Bernanke is a smart guy. He has been thinking about this speech for months, and had a seven-member team of Fed economists laboring on a background paper with 100 references. So what the heck was he thinking?

Mr. Bernanke remains an academic at heart. He studied the Great Depression, concluded that letting the nation's banks collapse made a bad situation worse and vowed the Fed wouldn't make *that* mistake again. That scholarship served the world well. In subsequent work, distilled in a 2002 speech, Mr. Bernanke said: "The Fed should use monetary policy to target the economy, not the asset market," and should "use its regulatory, supervisory, and lender-of-last-resort powers to protect and defend the financial system."

Only data will change his mind, and he doesn't see any convincing data that higher interest rates would have made a huge difference in housing prices. If rates were too low, they weren't off by much, he argued. Had the Fed followed a 1993 rule for setting interest rates devised by Stanford University's John Taylor, monthly payments on an adjustable-rate mortgage would have been only $75 higher. Higher rates wouldn't have prevented the housing bubble, he insisted, and he has the equations to prove it.



Bloomberg News

Fed chief Ben Bernanke insists low interest rates were a minor factor in inflating housing prices.

But such equations failed to predict what happened. Mr. Bernanke's most cogent critics argue that by keeping rates low and, importantly, loudly promising to keep them low, the Greenspan-Bernanke strategy triggered a global search for higher yielding investments. Geniuses on Wall Street met that demand by turning subprime mortgages into ersatz safe short-term securities. The global demand was almost insatiable, and the fees irresistible to Wall Street and mortgage originators. When they ran out of worthy borrowers, they made mortgages to almost anyone.

"Clearly, no one is saying that monetary policy was the only culprit," said economist Raghuram Rajan of the University of Chicago. "But in an environment where there was a 'savings glut' elsewhere, low returns on safe assets pushed foreign investors into riskier assets. Was this search for yield not part of the problem?"

Mr. Bernanke is politically vulnerable. The U.S. Congress is weighing his future and the Fed's. So at a time when the public wants contrition, why give a speech so easily caricatured as "It wasn't my fault"? It's not that he is unwilling to be contrite: "We were slow on some aspects of consumer protection...We should have required more capital, more liquidity...tougher risk-management controls," he told a Senate committee last month.

Indeed, Mr. Bernanke's speech was motivated by fears that Congress may dilute the Fed's ability to regulate financial buccaneers. He was trying to lay an intellectual foundation for a plea to Congress: We didn't do enough last time, but we've learned the lesson. Don't weaken our authority over big banks. If you do, the *only* weapon the Fed will have to respond to a bubble will be sharply higher interest rates, and that would force us to punish consumers, workers and businesses, not just the bubble. It would be like telling the president his only choices are nuclear weapons or nothing.

But Mr. Bernanke didn't put it that way. He spoke as if he were in a Princeton University seminar room instead of in the public arena. He wasn't.

Trichet gets tough on Greece

ECB president says bank won't give country special treatment to ease its economic turmoil

By Brian Blackstone

FRANKFURT—European Central Bank President Jean-Claude Trichet said the ECB isn't willing to grant Greece special treatment to alleviate the country's economic turmoil even as Athens's latest plan to deal with the crisis was met with skepticism by investors.

"No government or state can expect from us any special treatment," Mr. Trichet said following the European Central Bank's monthly meeting. The comments, which came as the ECB kept its key lending rate unchanged at 1%, helped push the cost of insuring Greek sovereign debt against default to a record.

Greek Prime Minister George Papandreou, meanwhile, tried again to ease concerns about the country's finances, pledging to trim Greece's budget deficit to 2.8% of gross domestic product by the end of 2012 from an estimated 12.7% of GDP in 2009. Yet Greek bond prices declined, as investors remained doubtful that the government will be able to push through the deep cuts in public-sector spending that would be necessary to achieve that goal.

Adding to the uncertainty, German Chancellor Angela Merkel delivered the starkest warning yet by a European leader about the repercussions of the crisis, predicting that Greece and other high-deficit countries have thrust the euro "in a very difficult phase for the coming years." The euro was down 0.3% against the dollar, at $1.4475.

The ECB doesn't provide direct aid to individual members of the 16-member euro zone. But it does provide Greece and other countries with indirect support through its lending facilities, which allow Greek commercial banks—heavy owners of Greek sovereign debt—to use those bonds as collateral to obtain inexpensive central-bank credit.

Bloomberg News

ECB President Jean-Claude Trichet, called talk that Greece would be forced out of the euro 'an absurd hypothesis.'

The ECB is due to go back to its old collateral policy at year-end. If Greek government debt gets downgraded further, it risks becoming ineligible as ECB collateral when the rules that were in place before the financial crisis are reinstated. "We will not change our collateral framework for the sake of any individual country," Mr. Trichet said.

He dismissed speculation in the financial markets that Greece's soaring budget deficit will eventually force it to exit the EU and euro system, calling it "an absurd hypothesis." One day earlier, Mr. Papandreou said there was "no chance" Greece will exit the euro.

Mr. Trichet's comments came after a regular meeting of the ECB's governing council. The ECB kept its key lending rate unchanged at the record low of 1%, as expected. Officials are unlikely to raise rates for many months, economists say. Though the euro zone grew in the third quarter after more than a year of output declines, struggling countries like Greece and Ireland still face painful adjustments to their economies and state finances. In addition, Germany's recovery appears to have stalled in the fourth quarter.

Mr. Trichet repeated prior warnings of a "bumpy road" for the region's recovery, and said there is no risk of inflation. He specifically called on Greece and Ireland to take steps to improve their competitiveness.

The ECB president also distanced himself from a controversial paper released last month by the ECB. The document, written by the ECB's legal counsel, addressed the possibility of exiting the euro. Though it concluded that the possibility is next to zero, the fact that someone at the ECB even looked into the subject created a stir.

Mr. Trichet ticked off the benefits of euro membership, including lower interest rates to finance external deficits and being part of a "credible" currency.

—Andrea Thomas contributed to this article.

Obama unveils plan for bank tax to raise $90 billion

Continued from first page

posal will also help the administration tackle the U.S.'s budget deficit, projected to reach $1.4 trillion this fiscal year.

The banking industry has already objected to initial reports of the proposal.

"Using tax policy to punish people is a bad idea," J.P. Morgan Chase Chief Executive James Dimon told reporters after a hearing in Washington. Mr. Dimon said it would be unfair for banks to be left shouldering the cost of the auto bailout.

Using boldly populist language, a senior administration official rejected criticism from bank executives, lobbyists and Republicans that the fee would be passed on to consumers. Doing so would put the taxed banks at a disadvantage against small-to-medium-sized lenders that would be exempt. He suggested companies look to their bonus pools to pay the tax.

"It is just beyond the pale for any of these major financial institutions to suggest that they were islands unto themselves, untouched and not benefited by the extraordinary policies that have been taken under the Obama administration," the official said.

Under the proposal, a 0.15% tax would be levied on liabilities. The tax would apply to bank holding companies, thrifts, insurance companies that own financial arms and broker dealers with at least $50 billion in assets that received assistance under TARP, the FDIC's temporary loan program or other crisis efforts.

The tax would be levied on total assets, minus a type of capital considered high quality, such as common stock, and disclosed and retained earnings. FDIC-covered deposits and insurance policy reserves would be untaxed because such assets are already subject to federal fees, the administration official said.

Under that formulation, banks that lean heavily on funding sources other than customer deposits would pay proportionally higher taxes. That means that Goldman Sachs and Morgan Stanley could get penalized. Another big loser could be **Citigroup**, whose main U.S. banking unit's insured deposits represent a relatively small slice of the company's liabilities.

The 2008 law creating TARP required the White House to come up with a proposal to recoup any losses. The White House and Treasury Department considered several different options, including a tax on bank profits or a tax on transactions made by large banks.

Ultimately, the White House opted to tax bank liabilities, seeing it as a way to constrain risk at specific firms. Liabilities, traditionally, are defined as what the bank owes—for example, customers' deposits.

Getty Images

President Obama, seen here at a news conference on Haiti, later unveiled the "financial crisis responsibility fee."

Administration officials believe that the tax would also serve as a constraint against banks taking on too many risky bets with borrowed cash. Many Democrats are expected to support the levy.

House Financial Services Committee Chairman Barney Frank (D., Mass.) said Wednesday that it was "entirely reasonable" for the financial industry to make the taxpayer whole on any losses.

Rep. Scott Garrett (R., N.J.) has said any tax or fee could hinder the economic recovery and further limit the industry's ability to extend more loans. Mr. Dimon, when asked how any tax could be felt by consumers, said "all businesses tend to pass their costs on to their customers."

The new tax would be in addition to other fees against banks authorized by a recent House bill that would require large firms to finance a $150 billion fund to pay for future failures of companies.

—David Enrich contributed to this article.

IMF chief urges nations to keep stimulus plans

By Tom Barkley

WASHINGTON—The head of the International Monetary Fund urged global policy makers Thursday to maintain stimulus until private demand picks up and to shift some of the support into job creation.

In coming days, the IMF will be releasing updated economic forecasts showing that the global recovery is occurring "significantly" faster than expected, said IMF Managing Director Dominique Strauss-Kahn at a news conference.

But Mr. Strauss-Kahn called the recovery "stronger but fragile," given weak private demand in many parts of the world economy. "Policy support should be maintained until there are clear signs that a sustainable recovery appears also in the private demand side," he said.

In addition, given that labor markets are expected to remain weak for months, "we cannot say the crisis is far behind us," he said.

Thus, he said, governments should start directing some of their stimulus money into job markets.

He also welcomed the Chinese government's use of stimulus to promote domestic demand, in an effort to shift away from export-led growth.

When asked about the risk of the dollar losing its reserve currency status this year, Mr. Strauss-Kahn said it is unlikely given the recovery in the U.S., even if it lags behind Asia. "I don't see the role of the dollar in the global economy changing rapidly in the direction of a smaller role," he said.

That may change in coming decades, with a possible bigger role for the euro and other currencies, he added. In the future, Mr. Strauss-Kahn said he would wish that the IMF quasi-currency, the special drawing rights, could also become a reserve currency, though that would be technically difficult.

When asked about the outlook for Europe, Mr. Strauss-Kahn said the recovery has been much better than expected, but that he has concerns about the lack of flexibility in economies there limiting growth.

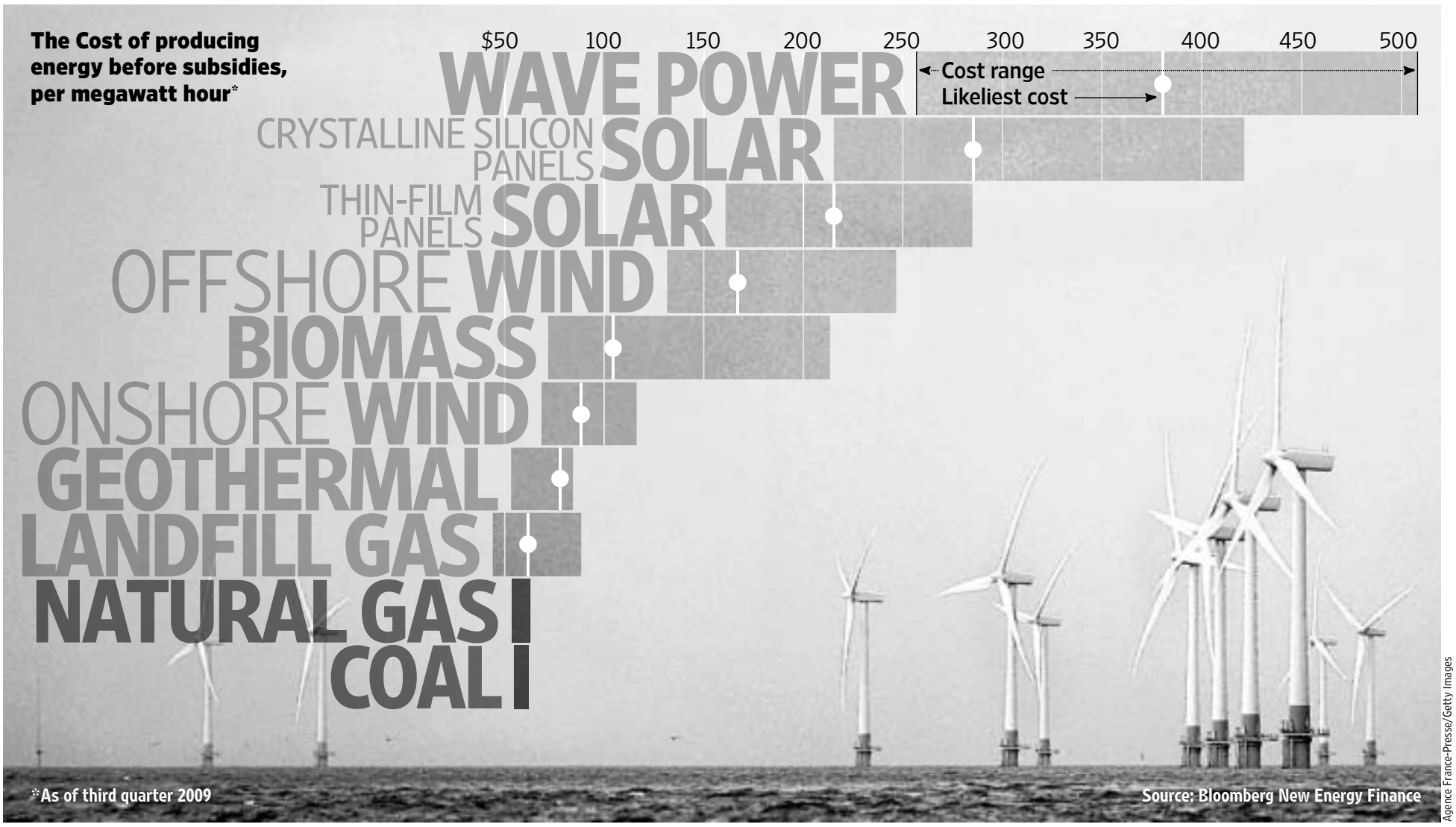
While Central Europe isn't likely to experience significant growth this year, he also doesn't foresee "real problems."

When asked about the continuing dispute in Iceland over repaying the U.K. and Dutch governments for more than $5 billion in losses from the failed Icesave bank, Mr. Strauss-Kahn reiterated that resolving the issue isn't a condition for the IMF loan. But he said the IMF is led by the international community.

In a message to Icelanders who must vote on a deal to solve the Icesave dispute, he said: "We are not tax collector for any country. But on the other hand, we need to have the support—and you Icelandic citizens—you need to have the support of the international community to be able to go forward."

He also called on global leaders to complete the effort to make the financial system stronger and smarter, citing a risk that policy makers will lose their political will. "The financial sector itself is going back to business as usual," he said.

The Group of 20 has given the IMF the task of coming up with ideas for how to recoup the costs of the crisis from the financial sector, and Mr. Strauss-Kahn said no possible solutions have been ruled out.



Agence France-Presse/Getty Images

Clean energy: sun, wind, subsidies

As governments increase spending and support for renewable power, even fans wonder if aid could be more efficient

By Jeffrey Ball

In frigid water seven kilometers off England's east coast, a floating crane is installing the last of 48 wind turbines. The 40-story-tall pinwheels are driven by two plentiful resources: ocean breezes and public funds.

Government subsidies are turning renewable energy into big business. Although fossil fuels remain by far the dominant energy source and generate big profits, in some markets government price supports are making renewable power a less-risky corporate bet than conventional fuels.

POWER SHIFT

Wind farms "have a better return on investment than coal plants," says Anders Eldrup, chief executive of Dong Energy, a company based in Denmark that is shutting down coal-fired power plants and building wind farms, including this one in the U.K., called Gunfleet Sands. But that is true only in places with hefty subsidies, he says. "Without that, they wouldn't work."

Critics say subsidies of any kind waste taxpayer dollars. But even fans of renewable energy worry this public largess is costing too much. They say renewable energy deserves subsidies to help it mature to the point where it can compete against fossil fuel. But they are concerned that society, in its haste to roll out wind turbines, solar panels and other forms of clean power, is spending billions of dollars without spurring as much renewable energy as it could. The recession has worsened the waste, they say, as governments increase subsidies to meet renewable-energy targets and create "green" jobs.

Some renewable-energy subsidies have been "enormously wasteful," says Michael Liebreich, chief executive of Bloomberg New Energy Finance, a London-based research firm. "As you get more and more renewable energy, the state is setting energy prices," he says. "That worries me enormously."

Common government practice today, especially in Europe, is to guarantee renewable-energy providers that they can sell their power for more than the normal electricity rate—often several times more. To trim costs, some governments are experimenting with parsing out subsidies, auction-style, to whichever renewable-energy firms are willing to accept the least aid.

Virtually all energy is subsidized. Fossil fuels, which provide about 80% of total global energy, have enjoyed favorable tax breaks and other incentives for decades. The International Energy Agency estimates that fossil-fuel subsidies in developing countries—government money to reduce the price of energy—totaled $310 billion in 2007, the most recent year for which the IEA has statistics. Last fall, the Group of 20 leading economies called for phasing out fossil-fuel subsidies world-wide.

Yet for every unit of energy renewable energy produces, it is often subsidized more heavily than fossil fuel. Government spending and price supports accounted for about one-third of the roughly $145 billion invested world-wide in clean energy in 2009, New Energy Finance estimates. Though renewable energy gets fewer subsidy dollars than the IEA says fossil fuels receive, the price supports are covering a larger portion of renewable energy firms' costs.

Many in the renewable-energy industry say it is high time they got that extra help. The industry needs the "economies of scale that make this a viable and effective source of electricity," says Robert Beisner, vice president for the U.S. unit of SolarWorld, a solar-panel maker. It is planning to expand its U.S. factories to feed global demand driven by incentives.

The company is based in Germany, which has more solar panels in use than any other country despite often-overcast skies. That is because Germany offered a sweet deal: a "feed-in tariff." It guarantees renewable-energy producers an above-market price for their power and that they can sell the power into the electrical grid at that price for 20 years.

Many countries have adopted feed-in tariffs; some are as much as five times the wholesale price of power. The governments typically reduce the rate by a few percentage points yearly. But the cost of renewable energy is falling far more quickly than that; the lifetime cost of producing some types of solar power fell 50% during 2009; most other renewable technologies fell 10%, New Energy Finance says. Moreover, once a renewable-energy producer has locked in a rate for a particular project, it gets that rate for the full life of the subsidy.

The upshot, analysts say: A feed-in tariff can guarantee a renewable-energy producer rising profits that can top 20%, far more than most conventional energy projects.

In Germany, renewable energy from projects that qualified for feed-in tariffs between 2004 and 2008 will cost consumers €122.3 billion (about $175 billion) between 2008 and 2030—46% more than the same amount conventional energy would cost, New Energy Finance predicts. In Spain, renewable energy from projects started under the country's feed-in tariff between 2006 and late 2008 will cost €53 billion over the Spanish tariff's 25-year life, the firm projects, a 75% premium over the likely cost of the same amount of conventional power.

The U.S. is a potentially massive renewable-energy market. It has windy plains, sunny deserts and areas rich in other renewable resources, such as wood. But it has lower rates of renewable-energy production than much of Europe, largely because the U.S. has smaller subsidies.

Some governments are experimenting with trimming subsidies by auctioning them to the lowest bidder.

Now, as part of the Obama administration's stimulus plan, renewable-energy producers are eligible for cash grants totaling 30% of the cost of projects they start this year—however high those costs go.

Before the stimulus, the government subsidized renewable-energy producers with tax credits. But financial institutions typically partnered with small renewable-energy firms and took a cut of the government money, reducing the amount left to fund projects.

So the temporary cash grant is more efficient, says Jason Grumet, president of the Bipartisan Policy Center, a Washington think tank. Still, he says, even the grant program is "probably providing a much greater subsidy than particular projects require."

The Obama administration says renewable-energy companies face a strong market pressure to minimize their costs: They have to compete with falling natural-gas prices. "What we're seeing is the market price keeping the capital cost of these projects down," says Matthew Rogers, the Energy Department official overseeing energy spending under the stimulus plan.

Some governments are experimenting with trimming subsidies by auctioning them to the lowest bidder. California and China have dabbled with this approach. But those auctions remain the exception rather than the rule. More often, renewable-energy subsidies are rising. A case in point is the London Array, a U.K. project that, if built, would be the biggest single offshore wind farm in the world.

It would sit off the coast of London, in the Thames Estuary, the same water body where Dong Energy is finishing the Gunfleet Sands wind farm. As the recession set in, companies involved in the project, including Dong, told the U.K. government they needed more aid. Early last year, the government agreed to increase the subsidy developers will get for all new offshore wind farms in the U.K.

Dong plans to start offshore construction on the project next year. Says the company's Mr. Eldrup: "The government listened to us."

God and Man in Kuala Lumpur

There's a certain irony in the fact that Malaysian Prime Minister Najib Razak traveled to Saudi Arabia, of all places, within 24 hours of his administration's threat to use draconian measures to quell religious violence. His absence during a crisis is a mistake, as is his government's approach to it so far.

The prime minister is missing a chance to heal old wounds.

The "Allah" scandal is the most serious domestic challenge the Najib government has yet faced in its nine months in office. Since a High Court ruling two weeks ago allowed Christians to use the word "Allah" in their Malay-language publications, radical Islamists have capitalized on the fraught climate to intimidate Malaysians and push their agenda. Yesterday saw the 11th in a spate of incidents, with Molotov cocktails, bricks and stones hurled against churches, a convent school, and even a Sikh temple. Lawyers representing Christian plaintiffs have found their offices ransacked. No perpetrators have yet been caught.

So far, the ruling United Malays National Organization is trying to tramp down the violence in any way it can—except the right way, which is to abandon the hardline Islamism that has traditionally appealed to its political base. Home Minister Hishammuddin Hussein went on national television Tuesday and threatened to use the Internal Security Act to detain people involved in playing up religious and racial tensions. Under Malaysian law, the government can detain a citizen indefinitely with the Home Minister's permission.

Najib Razak

Kuala Lumpur may want to look proactive. But such threats do nothing to address the underlying religious tensions in Malaysia. That would require UMNO to stop trying to out-Islam the opposition and whip up support from its majority Muslim base—as it did by challenging the "Allah" decision. Nor will pledging money to repair a damaged church solve anything. Buildings are easily rebuilt; the same is not true for interfaith relations. The government would be better served by allowing for a full and balanced discussion on the court case.

Talking about such issues is exactly what the country needs to do, as Paul Marshall from the Hudson Institute explains on a nearby page. Mr. Najib's predecessor, Abdullah Badawi, also understood this idea and tried to push UMNO in a more tolerant direction by advocating interfaith dialogue and reform of the judicial system. As an Islamic scholar, he had moral credibility. What he lacked was a sufficient power base within the party.

Mr. Najib, as the son of a former premier, is different; he has spent his entire life currying favor within UMNO and is seen as a stronger figure all around. Such strength could still be used to make progress where Mr. Abdullah did not.

Haiti's Tragedy

We may never learn the precise toll inflicted by Tuesday evening's earthquake in Haiti. But even now it's clear it may rank with the 2004 Christmas tsunami and the 1976 Tangshan earthquake in China as one of the worst natural disasters in living memory. "This is a time when we are reminded of the common humanity that we all share," President Obama said on Wednesday, as he promised America's "unwavering support." Rightly so.

The world has had sufficient experience with earthquake relief to know that the first 72 hours are critical. There may be hundreds of people or more buried alive in the rubble; their lives now depend on the speedy arrival of professional rescue teams. Thousands of people urgently need medical help, and many more will soon require tenting, clean water, food, toilets and other necessities if a secondary disaster is to be prevented. U.S. military assets are likely to play a crucial role in these efforts, as they did after the tsunami and the 2005 earthquake in Kashmir—a fresh reminder that the reach of America's power coincides with the reach of its goodness.

The U.S. military will provide relief, as ever.

The earthquake is also a reminder that while natural calamities do not discriminate between rich countries and poor ones, their effects almost invariably do. The 1994 Northridge quake was nearly as powerful as the one that struck Haiti, but its human toll was comparatively slight. The difference is a function of a wealth-generating and law-abiding society that can afford, among other things, the expense of proper building codes.

In the long term, the best defense against future natural disasters is to promote the political and economic conditions that can move people out of the slums and shanties that easily become death traps. For now, however, we wish godspeed to the armies of relief headed for Haiti's desperate shore.

Health Experts and Double Standards

The press corps is agonizing, or claims to be agonizing, over the news of Jonathan Gruber's conflict of interest: The MIT economist has been among the foremost promoters of ObamaCare—even as he had nearly $400,000 in consulting contracts with the Administration that weren't disclosed in the many stories in which he was cited as an independent authority.

Jonathan Gruber, Peter Orszag and the press corps.

Mr. Gruber is a health economist and former Clinton Treasury hand, as well an architect of Mitt Romney's 2006 health plan in Massachusetts that so closely resembles ObamaCare. His econometric health-care modelling is well-regarded. So his $297,600 plum from the Department of Health and Human Services in March for "technical assistance" estimating changes in insurance costs and coverage under ObamaCare, plus another $95,000 job, is at least defensible.

However, this financial relationship only came to wide notice when Mr. Gruber wrote a commentary for the New England Journal of Medicine, which has a more stringent disclosure policy than most media outlets. Last week the New York Times said it would have disclosed Mr. Gruber's financial ties had it known when it published one of his op-eds last year. Mr. Gruber told Politico's Ben Smith that "at no time have I publicly advocated a position that I did not firmly believe—indeed, I have been completely consistent with my academic track record."

We don't doubt Mr. Gruber's sincerity about his research, though the same benefit of the political doubt wasn't extended to, say, Armstrong Williams when it was revealed that the conservative pundit had a contract with the Department of Education during the No Child Left Behind debate. Any number of former Generals-turned-TV-analysts were skewered in the New York Times in 2008 merely because of continuing contact—and no financial ties—with the Pentagon.

The political exploitation of Mr. Gruber's commentary is another matter. His work figured heavily into a recent piece by Ron Brownstein in the Atlantic Monthly that the Administration promoted as an antidote to skepticism about ObamaCare's cost control (or lack thereof). White House budget director Peter Orszag has also relied on a letter from Mr. Gruber and other economists endorsing the Senate bill.

In a December conference call with reporters, Mr. Orszag said that "I agree with Jon Gruber that basically everything that has been put forward in health policy discussions for a decade is in this bill." He also praised "the folks who have actually done the reporting and read the bill and gone through and done the hard work to actually examine, rather than just going on buzz and sort of loose talk, but actually gone through and looked at the specific details in the bill," citing Mr. Brownstein in particular. Which is to say, the journalists who had "done the reporting" were those who agreed with the Gruber-White House spin.

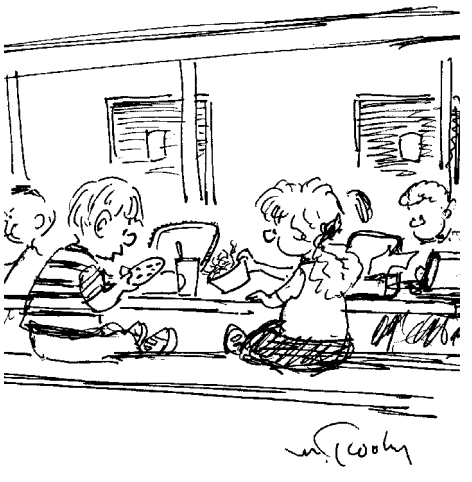
Mr. Orszag never mentioned Mr. Gruber's contract. Nor did HHS disclose the contract when Mike Enzi, the ranking Republican on the Senate health committee, asked specifically for a list of all consultants as part of routine oversight in July. His request noted that "Transparency regarding these positions will help ensure that the public has confidence in the qualifications, character and abilities of individuals serving in these positions."

We're not Marxists who think everyone's opinion depends entirely on financial circumstances. But if Mr. Gruber qualifies as a health expert despite his self-interest, then the studies of self-interested businesses deserve at least as much media attention. The insurer WellPoint has built a very detailed and rigorous model on the likely impact of ObamaCare, using its own actuarial data in regional markets, and found that insurance costs will spike across the board. The White House trashed it, and the press corps ignored it.

This is a double standard that has corroded much of the coverage of ObamaCare, with journalists treating government claims as oracular but business arguments as self-serving. We'll bet Messrs. Orszag and Brownstein that WellPoint's analysis will more closely reflect the coming insurance reality than the fruits of Mr. Gruber's government paycheck.

Pepper . . . and Salt

THE WALL STREET JOURNAL



"Sprouts are a deal-breaker."

OPINION

‘Allah’ By Any Other Name

By Paul Marshall

Religious violence is rare in Malaysia, and so its people are rightly alarmed at the current spate of attacks on churches, which can conjure up memories of the 1969 race riots. The government has strongly condemned the attacks, but its policy of trying to coddle its Muslim population undermines its stated goal of an open Islam and stokes the very religious tension that it wants desperately to avoid.

The violence is the latest consequence of attempts to ban the use of the word “Allah” by Christians. In 1986, the Interior Security Ministry barred the word from non-Islamic publications on the grounds that it could confuse Muslims, but the ordinance was usually not enforced. However in December 2007, the Malaysian Chinese Muslim Association and the Islamic religious councils of seven states invoked it in a lawsuit against the Malay language weekly, the Catholic Herald. The government sided with the councils, saying that Christians’ use of the term “could increase tension and create confusion among Muslims.” Authorities also asked the Herald to put on its front page the word *terhad*, “restricted,” meaning solely for distribution to Christians.

Christians and others responded that “Allah” has been used by Christians for centuries to refer to God, including in Malaysia. No other country has such a ban; even the Malaysian Islamic Party (PAS) says it opposes one. “Allah,” the Arabic word for God, is used by Christians in Egypt and Syria, and, of course, neighboring Indonesia. On Dec. 31, 2009, the High Court ruled that Christians had a constitutional right to use “Allah.” The government called for calm, but quickly said it would appeal and, on January 6, the judge suspended her ruling pending an appeals court decision. Subsequently, nine churches have been attacked, most of them firebombed. There have also been attacks on the Catholic Herald’s legal team, whose offices were vandalized yesterday.

This is not the only federal government attempt to repress anything that could be perceived as deviating from the state-sanctioned version of Islam. In 2005, Prime Minister Abdullah Ahmad Badawi proposed that Malay-language bibles have “Not for Muslims” on the front. In 2003, the government banned publication of a Bible in Iban, an indigenous language, although the ban was later lifted. In March 2009, customs officials seized Christian books and other materials containing “Allah,” and now some 15,000 volumes have been impounded. Since Indonesian Christian books in Bahasa contain the word “Allah” they cannot be imported. The government has also rebuffed calls for a state interfaith advisory council.

The censorship is not restricted to non-Muslim material. Using guidelines issued by the Islamic Development Department and with the consent of the Shariah courts, the federal government has prohibited over 50 “deviant” interpretations of Islam, including Shiism, the faith of over 10% of the world’s Muslims. In 2007, the Internal Security Ministry banned 37 books, mostly by Muslims, after the Publications and Quranic Texts Control Division said they “twisted facts and true Islamic teachings.” In 2008, other books were banned, including “Muslim Women and the Challenge of Islamic Extremism” by Norani Othman, published by the Malaysian Muslim women’s organization Sisters in Islam, and Amina Wadud’s “Quran and Women: Rereading the Sacred Text from a Woman’s Perspective.”

Getty Images

God is watching.

The attempted ban on “Allah” is part of a larger government program to shield Malay Muslims from anything contrary to state Islam or that might upset or confuse them. One reason for this effort seems to be political maneuvering by the ruling party to shore up its Islamic credentials and hold onto Malay votes. But there is also genuine concern to prevent adverse Muslim reaction to different views.

However, religious tensions are increasing in Malaysia, and not only because of ethnic divides and electoral calculation. Much is tied to ongoing restrictions on conversion from Islam coupled with the writing bans themselves. These bans stoke expectations that Muslims should, or even can, be shielded from anything that might challenge their beliefs. In a global world and a modern Malaysia, this is impossible, and the resulting dashed expectations feed frustration and tension.

If the government believes, as its actions imply, that many Muslim Malays are ignorant about their faith and so are easily confused, then, rather than trying to restrict non-Muslims or different Muslims, it should call on Islamic teachers to do a better job. After all, Muslim civil servants are already required to take government-approved religion classes, and Islamic religious instruction is mandatory for Muslim children in public schools.

It should also use its persuasive powers to tell its citizens that, as members of a thriving society in a global world, their beliefs will inevitably be questioned and challenged. Malaysia’s talented population is capable of dealing with different thoughts and ideas, and does not need suffocating and self-defeating protection.

As Sisters in Islam, a Malaysian NGO of Muslim women committed to an open interpretation of Islam, says: “Ignorance is never bliss. By narrowing the space for open dialogue among citizens and squashing their quest for information and to read, the government’s 2008 banning of ‘Muslim Women and the Challenge of Islamic Extremism’ can be deemed as ‘promoting Jahiliah’”—the very state of religious conflict and confusion that Islam came to overcome. It would create a “suppressed world where we will blindly follow with no questions asked.”

Mr. Marshall is senior fellow at the Hudson Institute’s Center for Religious Freedom in Washington.

An Obama-GOP Entente on Terror

[Wonderland]

By Daniel Henninger

After Barack Obama won the election, several Bush appointees running the war on terror came by our offices to sum up. On each visit, one point recurred: Coming into this world from the outside, they soon realized the scale of responsibility was larger than anything they had imagined.

If the Hasan massacre at Fort Hood didn’t bring Barack Obama to this moment, I’m guessing the holidays’ two terror horrors did. On Christmas, a suicide bomber came close to filling the Michigan sky with several hundred bodies. Days later, physician and suicide bomber Humam Khalil Abu Mulal al-Balawi blew up and killed seven CIA officers or contractors in Afghanistan. The Taliban then released a pre-bomb video of Balawi promising more revenge “inside and outside America.”

The Internet guarantees there is little chance this madness will burn itself out. A Jordanian doctor and a kid from a Nigerian banking family show how for the first time in history we have a homicidal ideology yoked to religion, which relentlessly draws energy and soldiers from the new phenomenon of the Web.

We have arrived at a familiar place—a U.S. president realizing that he is facing a determined and cruel enemy. Who in our politics, besides his foreign policy team, will stay the course with him the next three years?

His own party?

For seven years after 9/11, the Democratic Party and its legal and media satellites waged a pitched battle against the Patriot Act and the rest of the Bush antiterror program—Guantanamo, wiretaps, the Swift program to monitor terrorist money flows.

The generation of Democrats who now hold seats in Congress appear to have no real interest in the operational details of national security, other than thwarting it or complaining about it. Their energies and interests appear to be wholly directed to gathering political power to pursue an exclusively domestic agenda, such as the health-care slog, card check or carbon taxes. It’s a weird form of isolationism.

Mr. Obama’s domestic agenda reflects these biases, and that has produced a relentless counteroffensive from the GOP and conservatives.

Republicans should stop politics at the water’s edge.

National security, however, is another matter.

The Afghanistan decision was a big deal; if it went wrong, we were cooked on national security. It didn’t. Mr. Obama’s decision to support Gen. Stanley McCrystal’s counterinsurgency plan in Afghanistan was a procedural mess but arrived at the right result. Surely this happened because his national-security team pushed hard for that.

What emerged from the Afghan decision is that unlike the Congress or Cabinet, the Obama national security team has serious people on it. Defense Secretary Bob Gates, who served George Bush for two years, has re-upped for another. Leon Panetta is at CIA, Denny Blair is the national intelligence director, Adm. Mike Mullen is chairman of the Joint Chiefs, and Mr. Obama retained Doug Lute, Mr. Bush’s adviser on Iraq and Afghanistan. His top Army generals are David Petraeus, Stan McCrystal and Ray Odierno. The Marines are solid. By most accounts, Secretary of State Hillary Clinton was a factor in getting the Afghan decision to the right place.

This crucially important corner of the Obama presidency deserves the support from Republicans and conservatives. The Reid-Pelosi Democrats obliterated Sen. Arthur Vandenberg’s useful Cold War dictum that politics stops at the water’s edge. That was one of the most dangerous casualties of the past decade, telling the al Qaeda network we were hopelessly divided about our own security.

Republicans have a chance to show the Democrats, and the American people, how a responsible opposition handles national security and foreign policy. No opposition should roll over for a president, but rolling over its own country is worse. As with the support for the president on Afghanistan, an Obama-GOP entente on terror is in the nation’s immediate national interest.

This won’t be easy. Even with these good Obama advisers in place, it seems this administration is always drawing to an inside straight on national security.

They make it harder than it should be. No coherent intellectual framework exists for their version of fighting terror. The rhetoric is frequently awful. The White House political staff is an unreliable ally. Eric Holder’s indictments of the CIA interrogators loom (would anyone have objected to waterboarding Dr. Balawi if his cover had been blown?). Mr. Obama’s left wing in Congress and the party base won’t help, and the days of organized labor’s reliability on national security are gone. The cool Mr. Obama’s own commitment will always be hard to read.

Who’s left? The right. The right has to find a way to separate the daily anti-Obama domestic policy wars (the front on which the 2010 election should be fought) from the hard complexities of the war on terror. Those two holiday horrors were a cold shower. I don’t care what they call this war if they start pushing antiterror policy in the right direction. The price of not giving this president more support than he gave George W. Bush is to let all the stone killers the jihadis can create over the next three years think they’ve got a shot. No thanks.

Write to henninger@wsj.com

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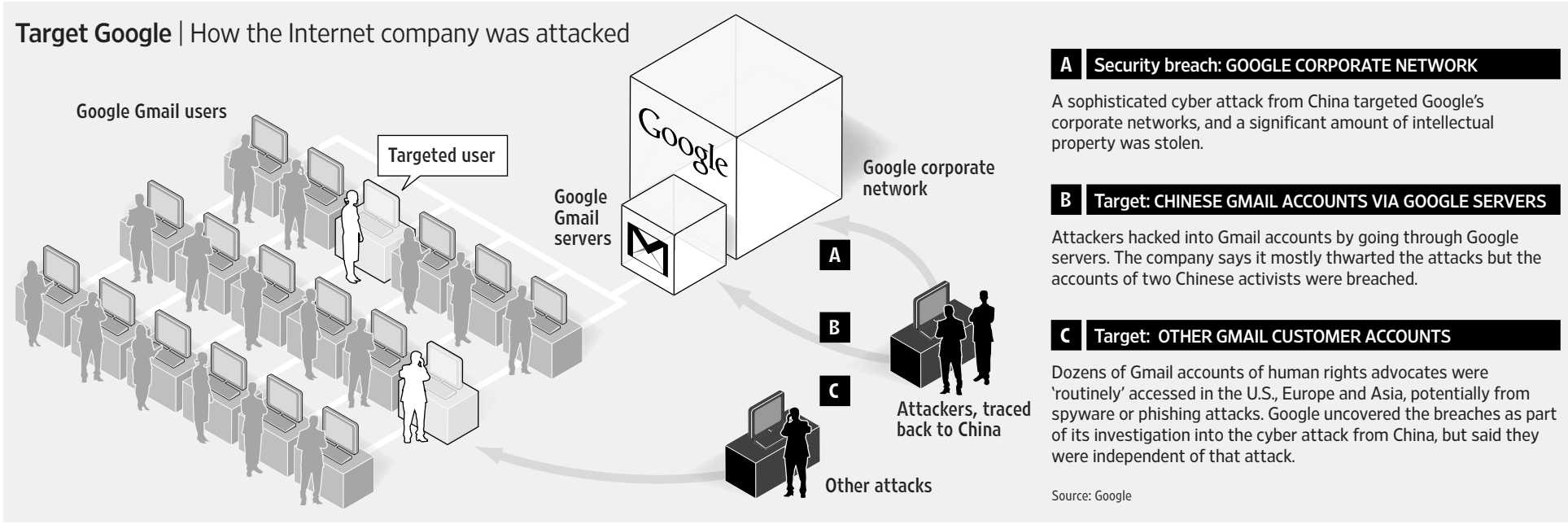
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Attackers, traced back to China
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A Security breach: GOOGLE CORPORATE NETWORK
A sophisticated cyber attack from China targeted Google's corporate networks, and a significant amount of intellectual property was stolen.
B Target: CHINESE GMAIL ACCOUNTS VIA GOOGLE SERVERS
Attackers hacked into Gmail accounts by going through Google servers. The company says it mostly thwarted the attacks but the accounts of two Chinese activists were breached.
C Target: OTHER GMAIL CUSTOMER ACCOUNTS
Dozens of Gmail accounts of human rights advocates were 'routinely' accessed in the U.S., Europe and Asia, potentially from spyware or phishing attacks. Google uncovered the breaches as part of its investigation into the cyber attack from China, but said they were independent of that attack.
Source: Google

Web is new front for Cold War foes

Attacks against multinational corporations would represent a significant expansion of targets beyond the military

By Siobhan Gorman

WASHINGTON—Alleged attacks on **Google** Inc. from China redraw the battle lines between the U.S. and its former Cold War adversaries, who are now squaring off on a new front: cyberspace.

In the new cyber war, the targets are U.S. companies as much as embassies or spy services, because corporations hold giant repositories of sensitive information and can be easier to crack. Companies are responding in kind, often launching their own intelligence operations to counter the spies.

The Chinese Embassy in Washington defended the country's Internet practices but didn't directly address the alleged attacks beyond acknowledging Google's disclosure on Tuesday. "It is illegal to assault the Internet," said Xi Yanchun, an embassy spokesperson. "The Internet in China is open and the Chinese government endeavors to promote sound development of the Internet."

While Chinese hackers dominate much of the cyber spying against governments and companies, Russian hackers have specialized in cyber crime, tapping bank accounts, holding personal computers for ransom, selling stolen U.S. government information and attacking the Web sites of political opponents of the Russian government, security specialists say. U.S. intelligence officials acknowledge that they also engage in cyber spying against China, Russia and other countries, but they decline to provide details.

The purported attack on Google would represent a significant broadening of Chinese ambitions beyond military targets to include companies that reflect U.S. power on a global scale.

Past attacks directed at the private sector—like Chinese and Russian efforts to surveil the U.S. electric grid and Chinese penetrations of the Pentagon's Joint Strike Fighter program—have had a more direct connection to national security. The Chinese and Russian governments have denied any involvement in those attacks.

The ambitions of China's military, the People's Liberation Army, in cyberspace have been growing and now include a wide swath of citizen cyber militias that mount attacks via the Internet on behalf of the government, according to recent U.S. government reports.

Chinese cyber spies steal intellectual property from U.S. organizations valued at an estimated $40 billion to $50 billion each year, according to U.S. intelligence agency estimates provided by a person familiar with them.

Theft of intellectual property "is a very serious preoccupation of anyone doing business in China right now," says Mark Bohannon, senior vice president of the Software and Information Industry Association.

The alleged attack on Google and as many as 33 other technology companies suggests an expansion of targets, which goes hand-in-hand with a recent surge in breaches of U.S. law firms dealing with China.

"It really represents an escalation in cyber warfare," said James Mulvenon, director of the Center for Intelligence Research and Analysis at Defense Group Inc. a national-security firm. "The Googles of the world are as important to U.S. national power and U.S. national security as some of the traditional elements of military power."

Google in many ways has become "the world's knowledge repository," Mr. Mulvenon said, and that makes it a high-value target for foreign intelligence services.

Attacks from China tend to single out specific employees at particular companies who have information the perpetrators are seeking, security specialists say. They send employees emails that lure them into downloading infected documents that appear to be related to issues of interest, said Joe Stewart, researcher for SecureWorks, a computer-security company.

Once an employee downloads the infected document, the attacker steals the employee's access codes, providing access to company networks and employee email.

There were indications Wednesday that defense contractors were among the other companies targeted by the Google attack. **Northrop Grumman** Corp. was among them, two people familiar with the investigation said. The company said it can't comment on specific attacks.

Attacks on defense contractors coming from China have intensified over the last 18 months, according to an expert on defense industry cyber-security issues.

Defense firms have adapted by developing their own intelligence operations to counter the cyber assaults. Northrop Grumman, for example, tries to trap hackers in specially created computer networks that keep vital information separate but are used to dupe cyber spies into revealing how they work.

Some companies are mounting their own disinformation campaigns. When they detect a cyber infiltration, instead of shutting it down, they provide inaccurate information to the cyber spies.

Defense firms have adapted by developing their own intelligence operations to counter cyber assaults. Some companies mount their own disinformation campaigns.

The alleged targets of the Google attacks—both Chinese dissidents and Google's intellectual property—suggest government backing because only the government would have an interest in both types of targets, said James Lewis, a cybersecurity specialist at the Center for Strategic and International Studies.

Lawmakers are demanding to know whether the Chinese government is responsible. "We need a better understanding of the Chinese government involvement," said Rep. Anna Eshoo, a California Democrat who is a member of the House intelligence committee.

Cyber attacks have become of such concern among the U.S. military and its allies in the North Atlantic Treaty Organization that, as a part of an overhaul of NATO's guiding strategy, the alliance is expected to debate whether a cyber attack should be covered by the NATO charter, which dictates that an "armed attack" on one ally must be treated as an attack on all.

Several Chinese military departments are responsible for components of cyber spying, such as the General Staff Department Third and Fourth Departments, according to the U.S.-China Commission.

Together these divisions oversee electronic spying and attack efforts, as well as research and development. Some Western analyses of the Third Department say it maintains a staff of 130,000 people.

As complaints have mounted in the U.S. and Europe about Chinese cyber spying and hacker attacks, China has moved to defend itself. Last year, China's Defense Ministry complained of millions of hacker attacks against its new Web site, which went online for the first time in August.

—August Cole, Gordon Fairclough and Ben Worthen contributed to this article.

Los Angeles law firm reports cyber attacks

By Aaron Back

BEIJING—A Los Angeles-based law firm representing a U.S. company in a $2.2 billion suit against the Chinese government and several global computer makers said Wednesday it has suffered cyber attacks originating in China.

The firm said the attacks are similar to ones suffered last year by its client **Cybersitter** LLC, which is claiming that China pirated parts of its Internet filtering software for the controversial Green Dam Youth Escort program.

"It would be a very strange coincidence indeed if the attacks were unrelated to the lawsuit, because our firm does not ordinarily in the course of business experience these kinds of attacks," said Gregory Fayer, an attorney at **Gipson Hoffman & Pancione**.

The firm said that on Monday evening its attorneys began receiving Trojan emails, disguised to appear as emails from other members of the firm but aimed at retrieving data from the firm's computers.

Mr. Fayer said the attacks originated from Chinese servers, but the firm is unsure if the attacks are from the private or government sector.

The firm has reported the incident to the Federal Bureau of Investigation in the U.S., as well as the Intelligence Committee of the U.S. House of Representatives.

The law firm's announcement came as allegations of cyber attacks from China are increasing sharply. **Google** Inc. on Tuesday threatened to withdraw from China, saying it discovered massive cyber attacks against itself and numerous other foreign companies that it said emanated from China.

California-based Cybersitter, a maker of parental-control software, alleges that thousands of lines of its code were copied by Chinese software developers for the Green Dam software, which was introduced last year in China to filter Internet content on individual computers.

In its lawsuit, Cybersitter also complains of a series of attacks on its computer systems.

The company said there have been thousands of attempts originating in China—at least one originating from a government agency—to gain access to its private servers, which hold all of its proprietary code and information.

Cybersitter also said its employees received Trojan emails originating in China that were disguised as emails from its other employees.

China says Green Dam is intended to block pornographic and other harmful content, but critics say it also blocks politically sensitive information and is merely an extension of Beijing's Internet censorship system.

Last year, Beijing initially mandated that the software be installed on all computers in China, but it backed down and made use of the software optional after an outcry from international businesses and Chinese citizens.

GOOGLE VS. CHINA

China Web users plan workarounds

If Beijing blocks Google's international search site, tech-savvy Chinese plan to circumvent the 'Great Firewall'

By Sky Canaves And Loretta Chao

BEIJING—For **Google** Inc. users in China, the big question isn't whether the Internet giant retreats from China, but if Beijing retaliates by blocking Google's international search site.

If Beijing decides to put the site on the other side of the "Great Firewall," as the country's system of Internet controls is informally known, college student Shi Yuchen has a workaround already planned. She'll simply *fanqiang,* or "scale the wall."

"No matter what, I will continue to use [Google] by applying some 'scaling the wall' tools," Ms. Shi says.

To help people like Ms. Shi, a small but influential number of tech-savvy Chinese have been schooling their fellow citizens on how to gain access to blocked sites.

A search for the term *fanqiang* on Google or **Baidu** Inc., China's largest search engine, turns up dozens of Web sites with instructions on how to get around the country's Internet restrictions.

At a Chinese blogger conference held in the mountains of southern Guangdong province in November, Zhou Shuguang, a well-known blogger and citizen journalist, gave a presentation on 10 ways that Chinese Internet users can access Twitter, which has been blocked in China since mid-2009.

Although it is impossible to obtain concrete figures, a steadily rising number of China's 338 million Internet users already use proxies, virtual private networks (VPNs) and other workarounds.

VPNs and proxies allow a computer to access the Internet through a remote server. If the server is located outside of China, then it won't be subject to China's Internet controls. VPNs are encrypted and considered more secure than proxies.

"The more China blocks people, the more savvy people are going to get," says Thomas Crampton, Asia-Pacific director of digital influence at **Ogilvy Public Relations Worldwide**.

Google's warning that it may leave China has left Internet users wondering what will happen to their Gmail accounts. But it could also encourage more Internet users to "scale the wall."

Google has said that it plans to stop censoring search results on its Chinese search engine Google.cn and that it will negotiate with Chinese authorities to find a way to offer unfiltered search results while remaining in accordance with Chinese law.

Analysts say it is unlikely the government will agree to allow an uncensored Google.cn to operate in China, and that Google will have to shut its business in China. In theory, Chinese Internet users could still use the U.S.-based Google.com site, which doesn't filter its search results, though users aren't able to access links to content that is blocked in China.

Before establishing its Chinese search engine in 2006, Google.com itself faced periodic blockages in China, a factor that likely contributed to rival Baidu.com gaining significant ground over rivals by the time Google.cn arrived on the scene.

But the successes of Google.cn, as evidenced by its steadily growing market share—it rose to 35% in the fourth quarter of 2009—and the spread of other Google applications among Chinese users have given the company a large user base that will be reluctant to see it go.

Google is especially popular among China's educated, white-collar Internet users. Baidu has been criticized for providing lower-quality search results, which in the past included paid advertisements, and for removing links related to sensitive news events. Baidu declined to comment on its services.

David Gorodyansky, founder of U.S.-based **AnchorFree**, which offers a free VPN called Hotspot Shield for download, says that about one million of its 7.5 million worldwide users come from China.

Prior to being partially blocked ahead of China's sensitive 60th anniversary on Oct. 1, proxy site Tor reported that it averaged around 10,000 daily user requests from China.

"Scaling the wall," a practice once limited to a small number of politically active Internet users, has become more widespread in the past year as authorities blocked YouTube, Facebook and Twitter and also shuttered a Chinese Twitter-like site called Fanfou. A failed attempt by regulators to force all PC makers to install Web-filtering software created a public backlash against censorship.

A majority of Chinese users don't know how to get over the firewall—and don't necessarily want sensitive information in any case. But as controls become more stringent, a growing number of people are learning, and teaching others to do so.

Mr. Zhou, the blogger, is one of them, hosting small workshops in cities around China to teach people how to use Internet-related technologies, and answering e-mailed technical questions from Web users and via Twitter.

Web sites like Twitter and Facebook are sharing their coding with other developers who can, in turn, create independent software and programs that work as third-party proxies, says Andrew Lih, director of new media and visiting professor at the University of Southern California's Annenberg School of Communication and Journalism.

Agence France-Presse/Getty Images

A woman surfs the Internet using Wi-Fi at a café in Shanghai.

Brin brings other executives to his view

By Jessica E. Vascellaro

Google Inc.'s startling threat to withdraw from China was an intensely personal decision, drawing its celebrated founders and other top executives into a debate over the right way to confront the issues of censorship and cyber security.

The blog post Tuesday that revealed Google's very public response to what it called a "highly sophisticated and targeted attack on our corporate infrastructure originating from China" was crafted over a period of weeks, with heavy involvement from Google's co-founders, Larry Page and Sergey Brin.

For the two men, China has always been a sensitive topic. Mr. Brin has long confided in friends and Google colleagues of his ambivalence in doing business in China, noting that his early childhood in Russia exacerbated the moral dilemma of cooperating with government censorship, people who have spoken to him said.

The investigation into the cyber intrusion began weeks ago, although how Google detected it remains unclear. As Google employees gathered more evidence they believed linked the attack to China and Chinese authorities, Chief Executive Eric Schmidt, along with Messrs. Page and Brin, began discussing how they should respond, entering into an intense debate over whether it was better to stay in China and do what they can to change the regime from within, or whether to leave, according to people familiar with the discussions. A Google spokesman said Messrs. Page, Brin and Schmidt wouldn't comment.

Bloomberg News

Google CEO Eric Schmidt, and Co-Founders Larry Page and Sergey Brin, shown in July, have long struggled with China's censorship.

Mr. Schmidt made the argument, according to these people, namely that it is moral to do business in China in an effort to try to open up the regime. Mr. Brin strenuously argued the other side, namely that the company had done enough trying and that it could no longer justify censoring its search results.

How the debate ultimately resolved itself remains unclear.The three ultimately agreed they should disclose the attack publicly, trying to break with what they saw as a conspiratorial culture of companies keeping silent about attacks of this nature, according to one person familiar with the matter.

Soon, Google's vice president of public policy and communications, Rachel Whetstone, began crafting a number of versions of a possible statement the company planned to release publicly, these people said, sharing it with the three.

The top three agreed that the blog post should contain some language about human rights. The section said they had reached the decision to re-evaluate their business in China after considering the attacks "combined with the attempts over the past year to further limit free speech on the web."

Concerned about potential retribution against Google employees in China, the founders and their advisers agreed to include a line saying that the move was "driven by our executives in the United States, without the knowledge or involvement of our employees in China."

To further protect Chinese employees on the ground, executives didn't notify the vast majority of Google's China team until a few minutes before the post went up.

Disagreements among Google's top troika aren't unusual. Last year, Mr. Schmidt told reporters that he had long opposed Mr. Page's desire to build a Web browser but ultimately came around.

Google's conduct in China has long incited broader geopolitical debate over whether Western companies should do business in the country. In 2006, after Google said it would censor its China search engine, Google was called to defend the move before the U.S. House of Representatives, which began contemplating legislation that would prohibit U.S. companies from cooperating with Chinese officials, except in certain circumstances.

On Tuesday, Google said it could no longer abide by Chinese government requirements that it filter the search results on its site in the country, Google.cn. The company said it will be discussing the matter with the Chinese government, stating that it realized that its move may mean that it will have to shut down the Web site and potentially its offices in China.

Odds are high Google could be left largely on its own in taking concrete steps to confront the Chinese government. Veteran observers of trade between the countries suggest that Google, and the U.S. generally, has very little leverage to press China to back down on Internet censorship or other issues.

—Don Clark contributed to this article.

GOOGLE VS. CHINA

China defends its policies in Google spat

Continued from first page

she declined to say if the Chinese government itself is bound by those laws, referring the question to "relevant authorities."

People familiar with the attacks say the hackers tried to mask their identity by routing their efforts through six Internet addresses located in Taiwan, a common tactic used by Chinese hackers.

Five of the six addresses were owned by **Era Digital Media** Co., a company that provides television programs and movies through the Internet. Era Digital said it wasn't aware of the attack and declined to comment further. The sixth address is owned by **Qi Wei Technology** Co., a financial-software provider. Qi Wei said it had stopped using the relevant address in June.

Lee Hsiang-chen, director of Taiwan National Police Agency's High-Tech Criminal Center, said the two companies were likely victims themselves. "The two companies were probably attacked," he said, adding that Chinese hackers prefer to infiltrate Taiwan Web sites because they use the same language.

Analysts say hackers around the world, especially from China, frequently attack Taiwanese companies' computers. The compromised computers let hackers control them remotely.

Taiwan's robust Internet network has also made it appealing to international hackers.

According to **Trend Micro** Inc., a Taipei-based security-software company, about 20 million attacks took place on Taiwanese computers in August 2009 alone, compared with some five million attacked in China during the same period.

Chinese public reaction to Google's threat to withdraw has been mixed. Many Internet users have expressed support for the company, which despite the censorship of its Chinese site is widely seen as less censored than Chinese sites. Google's share of the Chinese search market has more than doubled in the last three years to more than 35%, but it remains well behind Chinese rival **Baidu.com**.

State-run media on Thursday carried largely critical treatment of Google's move, although some reports also emphasized that the company's withdrawal would be a major loss for China.

The People's Daily, the Communist Party's mouthpiece, carried a wide-ranging defense of China's Internet policies from Wang Chen, minister of the State Council Information Office, a media regulator under the country's cabinet.

Mr. Wang didn't refer directly to Google but said "self-regulation" by the online-media industry is important to ensuring Internet security. "Online media must step up their ability to guide public opinion," he said, "to protect the minds and bodies of young people."

—J.R. Wu contributed to this article.

Agence France-Presse/Getty Image (2)

A man checks information about the Dalai Lama on the Google Chinese search page Thursday at an office in Beijing. Below, users in Hong Kong wish Google well.

The Philippine Stock Exchange to get a new leader
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BUSINESS & FINANCE.

Friday - Sunday, January 15 - 17, 2010 THE WALL STREET JOURNAL. asia.WSJ.com

Fosun to step up deals in China

Conglomerate to focus on consumer, energy and financial businesses aiming to tap growing domestic demand

By Rick Carew
And Jonathan Cheng

HONG KONG—**Fosun International** Ltd., one of China's largest non-government controlled companies, plans to step up investments in consumer, financial and energy-focused businesses as its home country enters a phase of high-growth domestic consumption, its chief executive said Thursday.

"In the coming years we're going to see a consumer revolution," Liang Xinjun, Fosun's CEO, said in an interview at its office in Hong Kong, where Fosun lists its shares. "Mainland China's economy is growing so quickly, and domestic demand is going to be the real story."

Mr. Liang, 41 years old, added that Fosun is looking at acquiring stakes in U.S. or Japanese technology and consumer companies looking to enter the domestic Chinese market. Mr. Liang says the conglomerate—which has stakes in everything from pharmaceuticals to property to mining—would partner with these companies and offer their mainland China expertise.

"Many of these companies are facing near-zero growth in their home markets. We're looking for those that could come into China with our help and see significant growth," he said.

Major domestic investments would mark a bet on China's efforts to wean itself from its dependence on exports. Amid last year's economic softness, China offered incentives for everything from cars to refrigerators in part to stimulate its nascent consumer market.

Even with a conservative GDP growth estimate of 8% for China this year, Mr. Liang expects domestic consumption to grow by more than 17%—even more for companies with strong brand names.

Bloomberg News

Fosun CEO Liang Xinjun said he wanted to partner with foreign companies looking to enter the Chinese market.

In the interview, Mr. Liang said he was frustrated that Fosun's share price now languishes below its IPO price, noting that its shares trade at a discount to the cumulative value of its holdings in listed companies.

Fosun listed shares in July 2007 with investors subscribing at 9.23 Hong Kong dollars a piece, or about $1.19. On Thursday, the shares closed at HK$6.12.

Fosun's net profit in 2008 totaled 1.33 billion yuan ($194.7 million), down about 60% from the year before, on revenue of 40.25 billion yuan. Earlier this week, the company said it expected its 2009 net profit to "increase significantly" on the back of gains in the value of its equity investments, in particular gains from the listing of Sinopharm Group Co. in Hong Kong.

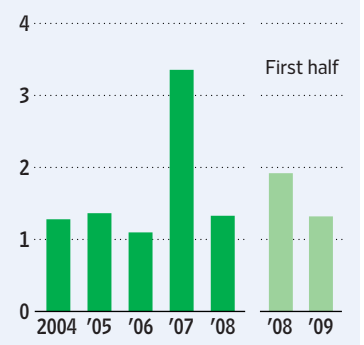
Fosun was founded by four Fudan University graduates in 1992, including billionaire chairman Guo Guangchang, one of China's richest men. Fosun quickly expanded in real estate development shortly after the Chinese government liberalized private investment in that business, founding Shanghai Forte Land Co., now a major Hong Kong-listed player in mainland property.

The company moved successively into pharmaceuticals, retail and steel as Beijing opened them to private investors.

The Shanghai-based company invests in Chinese companies that generate revenue in China but are listed overseas, including Nasdaq Stock Market-listed advertiser Focus Media Holding Ltd. Many of China's biggest listed Internet companies trade on Nasdaq at valuations that some investors argue are less than what they would fetch on the Hong Kong and Shanghai exchanges.

Fosun, which says it models its investment strategy in some ways on Warren Buffett's **Berkshire Hathaway** Inc., often takes minority stakes in an array of companies and works with existing management. Fosun invests in many unlisted companies that it encourages to seek initial public offerings, a difference that is likely due to the greater number of unlisted companies in China and stronger IPO potential on the back of public investors' enthusiasm for China's growth story.

Fosun International
Net profit, in billions of yuan



Source: the company

Speculators pounce on JAL shares, hitting record

By Ayai Tomisawa, Juro Osawa And Alison Tudor

TOKYO—Shares in cash-strapped **Japan Airlines** Corp. have become virtually worthless, but the stock itself has become the most popular issue in Japanese history, fueled by speculators seeking quick profits on the daily twinges from the one-time national champion's expected bankruptcy-protection filing.

More than a billion shares in the carrier changed hands Thursday, a daily record for a single issue on the Tokyo Stock Exchange. JAL trading alone accounted for nearly one-third of the 3.2 billion shares traded on the exchange's First Section.

JAL's volume broke a record set by the airline just the day before, when 822 million shares changed hands. The previous daily record daily trading volume record was set Dec. 16, when about 709 million shares in Mizuho Financial Group Inc. traded in a major bank rally sparked by reports that anticipated tougher capital adequacy rules from global regulators would be delayed.

"We are prepared for the worst-case scenario, but there still is a possibility that the shares may not be delisted, so now is a great chance to make a quick buck by buying and selling it within the same day," said Kentaro Shida, a proprietary trader at Aizawa Securities. "We take advantage of high volatility."

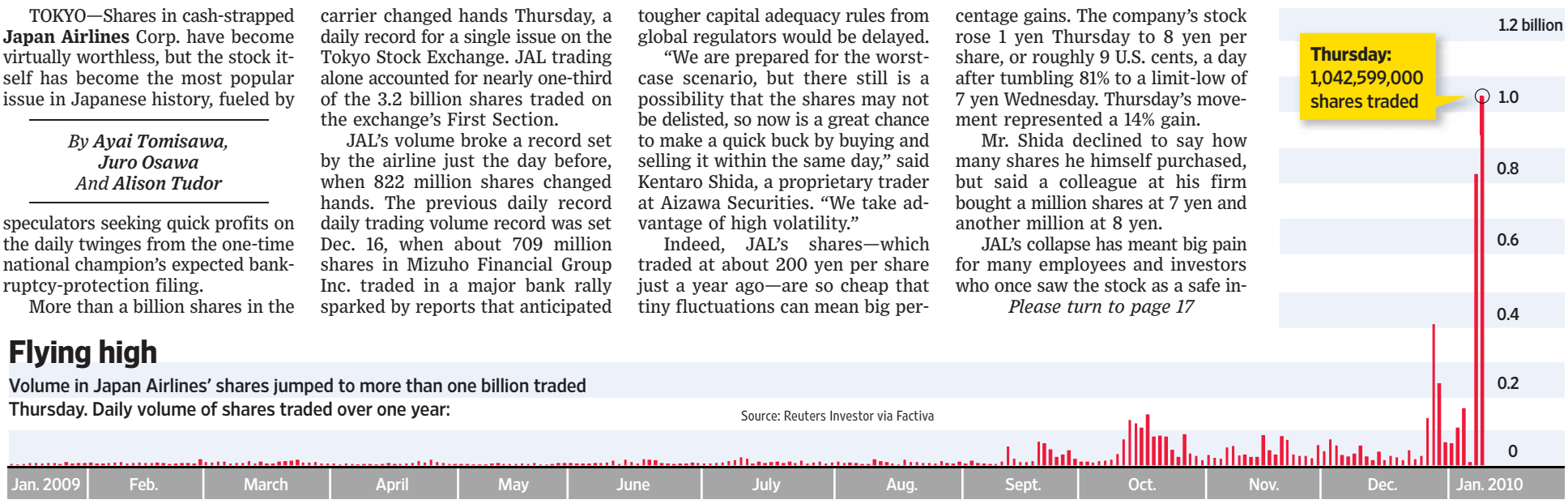
Indeed, JAL's shares—which traded at about 200 yen per share just a year ago—are so cheap that tiny fluctuations can mean big percentage gains. The company's stock rose 1 yen Thursday to 8 yen per share, or roughly 9 U.S. cents, a day after tumbling 81% to a limit-low of 7 yen Wednesday. Thursday's movement represented a 14% gain.

Mr. Shida declined to say how many shares he himself purchased, but said a colleague at his firm bought a million shares at 7 yen and another million at 8 yen.

JAL's collapse has meant big pain for many employees and investors who once saw the stock as a safe in-

Please turn to page 17

Flying high
Volume in Japan Airlines' shares jumped to more than one billion traded Thursday. Daily volume of shares traded over one year:



Source: Reuters Investor via Factiva

Rio Tinto iron-ore output tops view

Strong Chinese demand is expected to send prices higher as production for 2009 exceeds miner's forecast

By Alex Wilson

MELBOURNE, Australia—**Rio Tinto** posted strong quarterly production figures Thursday, beating guidance for iron-ore output and fueling expectations of a sharp price increase with bullish comments on Chinese demand.

Rio's share of 2009 iron-ore production rose 12% from a year earlier to 171.5 million metric tons from 153.4 million tons, and its fourth-quarter production rose 49% to 47.2 million tons.

The miner said its global iron-ore output for the year was more than 217 million metric tons, beating guidance given in October for full-year output of between 210 million and 215 million tons.

"This was another very strong quarter for iron-ore production, driven by continuing high demand from China," Chief Executive Tom Albanese said.

Mr. Albanese's comments on Chinese demand will reinforce increasing confidence in Chinese demand for the key steelmaking ingredient, which has seen analysts revising their forecasts higher for contract prices this year. Macquarie analyst Brendan Harris said the fact that spot iron-ore prices have been soaring at the same time that big producers are boosting sales points to strong demand and bodes well for higher contract prices.

"It shows how tight the market is, given that the sales volumes are as strong as they are, but markets are still holding up incredibly well," he said.

Most analysts have been expecting an increase of between 20% and 30% in benchmark iron-ore prices in this year's round of annual negotiations between miners and steelmakers.

Reuters

A truck climbs out of a Rio Tinto iron-ore mine. The company's 2009 output surpassed its expectations.

But with spot prices now about 80% above last year's benchmark, analysts see upside, with Merrill Lynch increasing its forecast to a 50% rise from its previous estimate of 15%.

The brightening outlook for iron ore is good news for Rio, which leaned heavily on the commodity in the first half as lower prices hit its other divisions.

The sharp downturn in metals prices sparked by the global financial crisis prompted Rio to make deep cuts to its aluminum production, and Mr. Albanese said the company is maintaining those reductions despite the recent rally in prices. "We are seeing recovery across most of our key commodities, although we continue to be cautious on the state of the global economy going into 2010 as stimulus packages start to wind down," he said.

Rio's shares rose 2.6% to 79.15 Australian dollars (US$73.16) after trading as high as A$79.45. The benchmark S&P/ASX 200 index closed up 0.6% at 4898 points.

IG Markets institutional dealer Chris Weston said the solid result would support the stock but might not be enough to spark a rally, given that much of the upside from higher iron-ore earnings was already priced in.

Siam Cement warns of drag on this year's earnings

BANGKOK—**Siam Cement** PCL said the suspension of its projects at the Map Ta Phut industrial estate will weigh on the group's earnings this year, becoming the second major Thai conglomerate to issue such a warning in about a week.

The Map Ta Phut dispute erupted in September when the Administrative Court ordered 76 projects valued at 400 billion baht ($12 billion) shuttered at the industrial estate, after environmentalists contended the government-approved permits violated the constitution.

Siam Cement's financial position remains "very strong," with extra available cash of 20 billion baht, President Kan Trakulhoon said Thursday. He added that the suspension won't affect the company's investment strategy.

Mr. Kan said Siam Cement, Thailand's largest industrial conglomerate by sales, has filed a petition to a court to allow five of its suspended projects valued at 10 billion baht to move ahead.

The Supreme Administrative Court ruled in early December that 11 of the 76 projects suspended could proceed, and the Central Administrative Court later allowed Siam Cement's joint-venture steel company to go ahead.

Siam Cement's profit guidance follows a similar warning from energy conglomerate **PTT** PLC on Jan. 8. PTT said its net profit could fall 5% in 2010 if the group's 18 Map Ta Phut projects remain suspended for a year. If the projects remain stalled for 18 months, PTT's earnings could drop 10% in 2011 from 2009 levels, President Prasert Bunsumpun said.

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Posco net jumps as demand revives

Lower product prices continue to weigh down Korean steelmaker; higher sales are forecast for this year

By Kyong-Ae Choi

SEOUL—Big cost cuts and revived demand for steel helped push South Korean steelmaker **Posco**'s fourth-quarter net profit up 77%, and the steel giant forecast higher sales this year, suggesting a solid year ahead.

However, the quarterly result came in below analysts expectations and wasn't enough to stop the company's full-year net profit from slipping as lower product prices continued to weigh.

Global steelmakers have been beaten down by the economic slowdown that hit the industry in late 2008, but analysts expect Posco to post stronger operating profit this year on possible price increases.

Posco, one of the world's largest steelmakers by production, also said it is on the lookout for acquisition targets this year with its hefty cash reserve of about 6.754 trillion South Korean won ($6.01 billion).

The comments came after it announced Thursday a 15% stake purchase in Australia's Roy Hill mine for an undisclosed amount, a move that will help the company secure more raw materials.

Its fourth-quarter profit jumped to 1.275 trillion won from 721 billion won a year earlier. Sales fell 12% to 7.288 trillion from 8.305 trillion, the company said in a statement.

A Dow Jones Newswires poll of nine analysts had forecast a net profit of 1.499 trillion won.

The company blamed higher electricity costs for the quarterly result failing to meet market expectations.

For full-year 2009, the world's fourth-largest steelmaker by output posted a 29% on-year decline in net profit to 3.172 trillion won from 4.447 trillion won.

Sales fell 12% to 26.954 trillion won from 30.642 trillion won.

"Plants' utilization rate stayed around 80% due to decreased demand from construction companies, car makers, home appliance makers, and Posco had to lower inventories, which dragged down the full-year results," Chung Ji-yun, an analyst at Hi Investment & Securities, said.

For 2010, however, Posco aims for sales of 29.5 trillion won and steel production of 34.4 million metric tons.

The company plans to raise output to 40 million tons in 2012.

It will raise the ratio of research and development investment to sales to 1.7% this year from 1.5% a year earlier and set a cost-cutting target of 1.150 trillion won.

Posco has also earmarked 9.3 trillion won in capital expenditure for this year for maintenance at Pohang's No. 4 blast furnace, completion of Gwangyang's shipbuilding plate plant and mergers and acquisitions.

In 2009, Posco's capital spending budget was 4.9 trillion won.

"We believe this year will be a remarkable year for Posco as we will take an aggressive approach this year in the domestic M&A market," Posco Chief Executive Chung Joon-yang said.

Although Posco ruled out raising steel product prices for now, analysts expect significant on-year growth in operating profit in the first and second quarter.

With ample cash in its coffer, Posco said it will be aggressive in the mergers and acquisitions market this year to seek greater synergy with an energy exploration and a shipbuilding company.

Companies Posco has shown an interest in so far include **Daewoo International** Corp. and **Daewoo Shipbuilding & Marine Engineering** Co.

"We will make acquiring Daewoo International a priority as it would yield great synergies from an investment standpoint in the field of energy exploration," Mr. Chung said.

He added that the company may consider buying Daewoo Shipbuilding once it is up for sale in the market.

A worker at a Posco steel mill in Gwangyang, Korea.

Market speculators pounce on JAL, hitting record

Continued from page 15

vestment in tumultuous times, in part because of an implicit government backing of the one-time government owned airline.

The newly intense trading represents a big shift in the types of investors flocking to the company. Trading patterns at brokerages handling retail investors' orders show that the stock is now a playground for short-term players wanting to make quick profits.

> JAL's collapse has hit shareholders who once saw the stock as a safe investment.

Tachibana Securities, a midsize Japanese brokerage whose customers are mostly retail investors, handled almost the same amounts of sell and buy orders for JAL shares Thursday.

"Until recently we were handling more sell orders, because individuals who had held onto JAL for a long time still hadn't finished offloading them," said Tachibana's operating officer, Kenichi Hirano. Many of these long-term investors pulled out of JAL in November when the stock first fell below 100 yen, and most of the remaining holders dumped their shares earlier this week.

"Players trading through us are now mostly speculators looking for daily gains," he added.

The stock's recent swoon has been fueled by media reports that the Enterprise Turnaround Initiative Corp. of Japan, the state-backed body leading the effort to rebuild JAL, is considering delisting the carrier through a 100% capital reduction as part of a bankruptcy-protection filing.

Many of the investors are gambling on the slim odds that JAL shares may actually continue to trade, despite widespread expectations they'll soon be delisted.

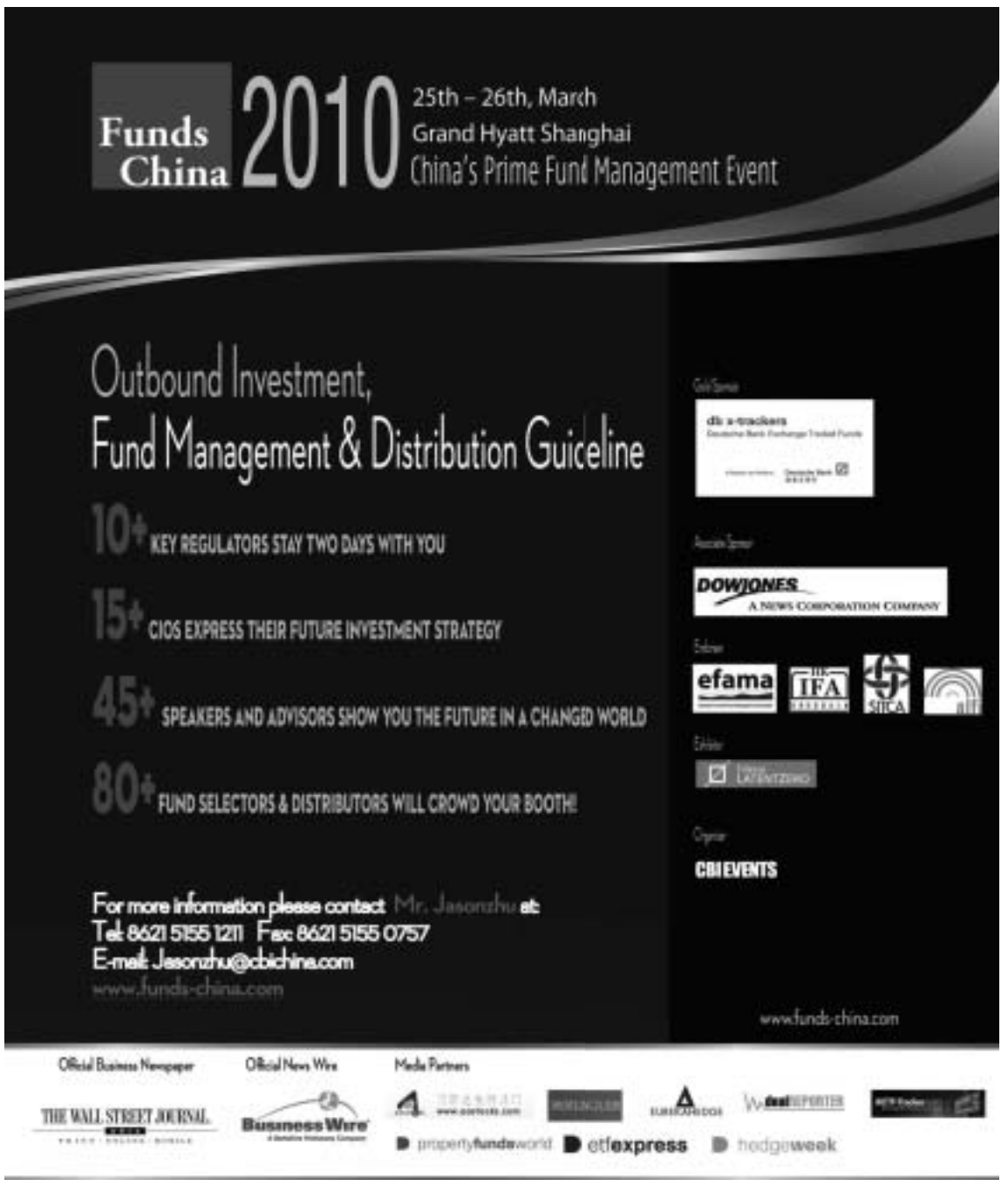
"Unless the ETIC decides to go with a 100% capital reduction, there is a chance that we may not delist JAL shares," said a TSE spokesman, adding that there is even a chance that the bourse may not put it under the "delisting post."

JAL's swollen volume this week was the first major test of the Tokyo exchange's new software launched earlier this year.

The upgrade was prompted by a series of embarrassing glitches in recent years which marred the reputation of the world's second largest exchange. The TSE said the exchange hasn't suffered outages since the new software was launched.

The JAL trading boom was a contrast with the heavy volume triggered after an accounting scandal at Livedoor Co. sparked a massive sell-off of the Internet conglomerate before it was delisted in April 2006.

The rush of sell orders from panicked investors swamped its computer systems, forcing the TSE to curtail its trading hours for three months. At the time, retail investors accounted for about 40% of activity on the exchange.



CORPORATE NEWS

Luxury cars lose some luster

Auto makers reposition premium lines as buyers lose taste for conspicuous consumption

By Vanessa Fuhrmans And Kate Linebaugh

U.S. luxury-car sales, once considered resistant to recessions, have plunged 40% over the past two years, compared with the overall market's 35% drop. Now, high-end car makers are preparing for a rebound that promises to be just as unconventional.

After falling to their lowest level in more than a decade, sales of high-end cars look set to inch toward recovery this year. **Volkswagen** AG's Audi is forecasting a roughly 10% jump in U.S. sales, while **BMW** AG, **Toyota Motor** Corp.'s Lexus and **Daimler** AG's Mercedes-Benz say they also expect modest increases.

But exactly how the premium-car market will recover remains uncertain and was a topic of intense speculation at this week's Detroit auto show. The sales plunge prompted by the recession has been so steep that consumers may be redefining what they want in a luxury vehicle, adding anxiety to a rebound.

"Affluent people will still choose to reward themselves," said Audi of America's chief, Johann de Nysschen. "But it will continue to be less about conspicuous consumption."

AFP/Getty Images

Mercedes displayed a new convertible version of its E-class at the Detroit auto show this week.

At the same time, traditional premium-car brands face increasing competition from mass-market manufacturers offering many of the same high-tech features as well as from unexpected upstarts, such as **Hyundai Motor** Corp. The Korean company had success with its Genesis midrange luxury sedan last year and aims to tackle the high-end market this year with its Equus model.

That is pushing luxury makers to reposition themselves on multiple fronts: deploying smaller, cheaper and more fuel-thrifty engines, tending to used-car sales and tweaking their messages to target consumers who may begin to spend more but remain austere.

Mercedes has been promoting its midsize E-class sedans in recent months with TV commercials that emphasize high-end safety features and play down luxury.

Lexus is hoping to defend its top-selling spot in the U.S. luxury market with four vehicles it introduced last year, including a dedicated hybrid vehicle and a new GX sedan, also at the Detroit show.

The Germans, though, are eager to wrest market share from the Japanese leader, still scarred from a massive recall announced by parent Toyota this fall to remedy a problem with floor mats that could cause accelerators to get stuck.

For Mercedes, BMW and Audi, the U.S. market is all the more critical this year, given the bleak outlook on their home turf. Aggressive government incentive programs, buoyed European car sales last year but deferred pain until this year.

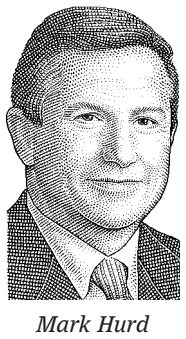
European car makers also are deploying what they see as a strength vis-à-vis their U.S. and Asian rivals: the option to buy traditional models with smaller, more fuel-efficient engines already commonplace in many European markets.

H-P, Microsoft aim alliance against rivals

By Nick Wingfield And Justin Scheck

Hewlett-Packard Co. and **Microsoft** Corp. said they will invest $250 million in a partnership to more tightly couple their software and hardware products, as rivals **Oracle** Corp., **International Business Machines** Corp. and others remake themselves as one-stop shops for technology.

H-P and Microsoft said Wednesday the three-year agreement will involve an array of initiatives, all aimed at helping businesses reduce some of the headaches of setting up and operating data centers, the backrooms that house corporate software and computer equipment.


Mark Hurd

The deal is another sign of the deeper integration that technology companies hope to achieve with products once primarily sold as separate components by different suppliers. That placed the burden on corporate customers to assemble and test all of the products.

As part of their deal, H-P and Microsoft will sell packages of servers, network gear, storage and common Microsoft business applications such as Exchange email and SQL database software.

It could help strengthen H-P in its competition with chief rival IBM. H-P has been clashing more frequently with the tech giant since it acquired technology-services firm Electronic Data Systems in 2008. That deal bulked up H-P's portfolio of corporate tech-services contracts.

But IBM has a wider array of software for corporate buyers than H-P does. By solidifying its relationship with Microsoft, H-P may be able to broaden the data-center software it now sells.

With the recession pinching growth prospects, many tech firms are pushing to become one-stop shops for corporate clients. That has triggered a wave of acquisitions throughout the tech industry.

Last year, Oracle agreed to acquire Sun Microsystems Inc. in a $7.4 billion deal to unite Oracle's enterprise software with Sun's computer equipment. H-P is invading **Cisco Systems** Inc.'s turf with an agreement to acquire networking-gear marker 3Com Corp. for $2.7 billion, and Cisco is trying to elbow its way into H-P territory with new server products.

"Customers are going down to trusting a few trusted hands," said H-P Chief Executive Mark Hurd.

Steve Ballmer

Bill Whyman, an analyst at investment firm ISI Group Inc., said the alliance is motivated by a desire to help customers cut costs. "It's an attempt to get many of the same benefits without a full-blown acquisition," he said.

It is unclear whether Microsoft and H-P can blend their offerings as effectively as a single supplier can. Both companies have cooperated closely for more than two decades. H-P is the world's largest personal-computer maker by units and the vast majority of its machines run on Microsoft's Windows operating system, with world-wide share of 19.6% of new PC shipments during the fourth quarter, according to IDC.

Mr. Hurd in an interview said the new agreement with Microsoft "is the deepest collaboration we've had yet in terms of alignment of all resources, from engineering through marketing and services."

Microsoft CEO Steve Ballmer said a "driving force" behind the deal was the interest among businesses in "cloud computing," in which companies move online business applications into public or private data centers. As part of their agreement, Microsoft and H-P said they will jointly promote Microsoft's public cloud-computing service, Windows Azure, to customers.

Last November, Cisco partnered with computer-storage company EMC Corp. to jointly sell hardware, software and networking gear. Roger Kay, an analyst with Endpoint Technologies, said that partnership likely played a role in H-P deepening its ties with Microsoft.

> Many tech firms are pushing to become one-stop shops for corporate clients.

EMC is the majority owner of VMWare Inc., which makes software used to make data centers operate more efficiently.

With the new Microsoft deal, H-P says it now will use Microsoft's competing software.

Similarly, H-P will package Microsoft's database with its hardware as it once did with Oracle's software. That agreement ended after Oracle moved to acquire Sun. Under its deal with Microsoft, H-P will make a similar machine running Microsoft's database software.

"It's a win for Microsoft," Mr. Kay said.

GTL will buy Aircel's towers for $1.85 billion

By Deepali Gupta

MUMBAI—**GTL Infrastructure** Ltd.'s board approved a proposal to buy Aircel Ltd.'s telecom-tower assets for 84 billion rupees ($1.85 billion), making it the largest independent tower operator in India.

The company, which owns and leases out telecom towers, will buy 17,500 towers from telecom-services provider Aircel, the companies said Thursday.

Demand for telecom towers has risen in India as new mobile-phone service providers opt to lease infrastructure in order to cut costs and roll out services faster.

GTL Infrastructure plans to have 15,000 towers of its own by March, giving it a total of 32,500 after purchasing Aircel's towers. The tower count is comparable to that of global tower companies **American Tower** Corp. and **Crown Castle International** Corp.

Indus Towers Ltd.—a joint venture between **Bharti Airtel** Ltd., the Indian unit of **Vodafone Group** PLC and **Idea Cellular** Ltd.—is the largest local tower company in India, with about 100,000 towers.

GTL Infrastructure will contribute up to 17.50 billion rupees in cash toward the acquisition, which will be done through a company specifically created for the deal. GTL Ltd., which owns 30% of GTL Infrastructure, said separately it will contribute up to 15 billion rupees.

GTL Infrastructure said it expects to pay the balance through debt, financed by a consortium of banks. The companies expect the deal to be completed over the next four to five months after regulatory approvals.

Aircel, a unit of Malaysia's **Maxis Communications BHD**, plans to use the proceeds "to better serve its customers across India," chairperson Suneeta Reddy said. Aircel will lease 20,000 sites from GTL Infrastructure over the next three years as part of the deal.

Several of the companies providing telecom infrastructure in India are owned by service providers. Some are expected to move these assets to independent companies to reduce cost.

"We believe that there will be continued consolidation in the [telecom-infrastructure] sector, which will further redefine the tower landscape in India," said Ravi Lambah, a managing director at **Citigroup** Inc.'s India investment-banking division. The division advised GTL Infrastructure on this transaction, as well as telecom operator Tata Teleservices Ltd. on its 2008 deal with Quippo Telecom Infrastructure Ltd. In that deal, Tata Teleservices sold 49% of its tower unit to Quippo Telecom for about 24 billion rupees to form a joint venture between the two companies. The venture now has 33,000 towers.

Over the next 12 to 24 months, Mr. Lambah expects tower companies to launch initial public offerings. Reliance Infratel already has filed a draft prospectus for an IPO. Reliance Infratel Ltd., a unit of **Reliance Communications** Ltd., has more than 48,000 towers.

GTL Ltd. said the Aircel lease-back deal may generate up to 85 billion rupees to 170 billion rupees in revenue over the next five years for the company. **Barclays** PLC and Citigroup were the financial advisers to GTL Infrastructure on the deal.

SingTel plans Optus IPO

About 25% of the Australian unit would be offered; margin concerns

By Costas Paris And P.R. Venkat

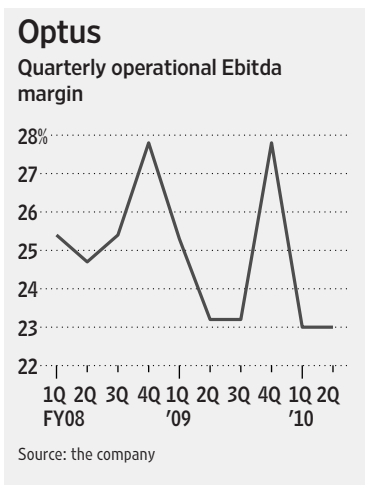
SINGAPORE—**Singapore Telecommunications** Ltd. wants to sell around 25% of its Australian unit Optus through an initial public offering in Australia that could raise about four billion Australian dollars (US$ 3.7 billion), people familiar with the situation said Thursday.

"Although there is no firm timing yet and no banks have been mandated, you could see things rolling as early as the first half of this year," one of these people said.

Another person said SingTel could use the proceeds to "create a cash war chest for acquisitions and expansion in markets outside Australia and Singapore." He added, "Australia is a mature mobile market and SingTel doesn't see much growth."

SingTel, Southeast Asia's largest telecommunications company by revenue, took control of Optus in 2001 through a bid valuing the Australian telecommunications concern at A$17 billion. It now values Optus at "more than A$14 billion," the second person said without explaining.

Optus had net profit of A$583 million for the year ended March 31. At the end of June, Optus estimated it had a 29% share of Australia's mobile-phone market, and it had 8.2 million mobile subscribers at the end of September, having outpaced **Telstra** Corp. in new subscribers.



Though Optus is a cash cow for SingTel, some analysts have expressed concerns about the unit's margins. Its earnings before interest, tax, debt and amortization margin fell to 23% in the fiscal second quarter, ended Sep. 30, compared with 23.2% a year earlier and 27.8% in the fourth quarter of the previous fiscal year, ended March 31.

Analysts also said margin pressure could intensify, with Vodafone Hutchison Australia. set to challenge Optus for share in the Australian market that is led by Telstra. Vodafone Hutchison is a joint venture between **Vodafone Group** PLC and Hutchison Australia, majority-owned by Hong Kong conglomerate **Hutchison Whampoa** Ltd.

An increasingly competitive environment for **Bharti Airtel** Ltd., SingTel's largest bottom-line contributor among its six major foreign mobile associates, may also provide impetus for SingTel to make another acquisition in an emerging market to boost earnings growth.

SingTel has said it is evaluating investment opportunities in China, and people familiar with the situation have said in the past the company is interested in taking a stake in Vietnam's **MobiFone**.

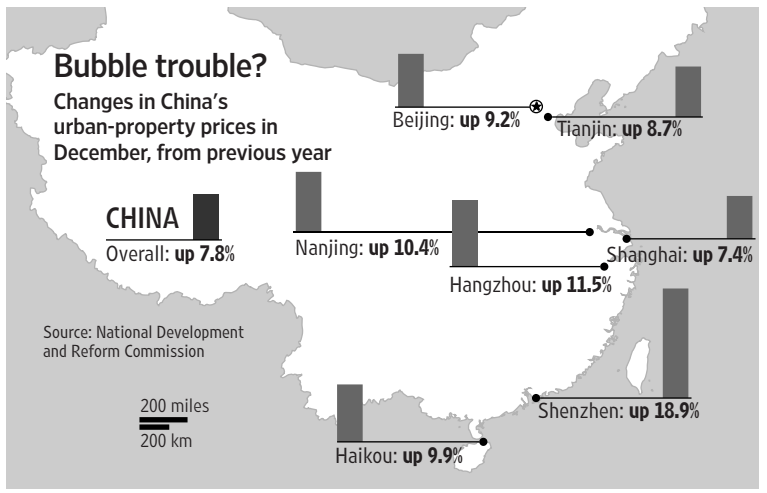
An analyst with a foreign brokerage firm who declined to be named said that while an acquisition would be beneficial in theory, it would be difficult to pull off given SingTel's lack of familiarity with Africa as well as regulatory hurdles in China and Vietnam.

CLSA analyst Ashwin Sanketh said an Optus listing was a possibility but that questions remained about how it might use proceeds.

"While I buy the idea of a war chest, I'm skeptical about the availability of targets," he said. "For SingTel to grow acquisitions, India and Indonesia are the markets."

The planned deal would also come at an uncertain time for the Australian telecommunications industry as the government pushes ahead with plans to build a A$43 billion National Broadband Network.

—Sam Holmes and Lyndal McFarland contributed to this article.



China's property prices made gains in December

By Patricia Jiayi Ho

BEIJING—China's urban-property prices rose at their fastest pace in 17 months in December, adding to concerns that an asset bubble may be forming.

The government has already expressed concerns that real-estate prices are rising too quickly, particularly in large coastal cities, after real-estate stimulus measures introduced late in 2008 touched off a boom in home buying.

Urban-property prices in 70 of China's large and midsize cities rose 7.8% in December from a year earlier, extending November's 5.7% rise, the National Development and Reform Commission said Thursday.

Prices in December rose 1.5% from November, accelerating from November's sequential rise of 1.2%, the economic planning agency said.

December was the seventh consecutive month that urban-property prices rose from year-earlier levels.

Sunday, the State Council said it will step up efforts to keep speculative money from abroad out of China's property market. The government has also vowed to curb the rise in property prices by boosting the supply of affordable housing and to strengthen credit controls for second-home purchases.

Housing prices in southern China's Shenzhen rose 18.9% in December from a year earlier, and were up 7.4% in Shanghai and 11.5% in Hangzhou. Prices in the capital rose 9.2% last month.

U.S. regulator hopes to tame energy markets

By Kara Scannell And Sarah N. Lynch

The U.S. Commodity Futures Trading Commission was set Thursday to propose limits on positions energy traders can take, advancing a major part of Chairman Gary Gensler's agenda after delays and some skepticism from commissioners.

The proposal is a response to criticism the agency faced in 2008 when crude-oil prices soared to $145 a barrel. Many in Congress blamed speculators and accused the commission of sitting by and letting it happen. Lawmakers pointed to the entry of pensions and endowments in commodities investing as a factor behind the volatility.

Supporters of the proposed rules say the effect would be to tame the market and bring prices in line with real economic forces—the supply and demand for the commodities being traded. The limits are intended to act as a ceiling so no single market player can own a large enough position to dictate prices.

But U.S. futures exchanges and some academics say position limits will do little to control volatility. They say there is no empirical evidence speculators were responsible for the 2008 run-up in prices.

At a hearing in July, Mr. Gensler presented data showing that speculators ran through current thresholds, which are nonbinding and set by exchanges, 69 times in the previous year. Of those trades, he said, three-fourths came from hedge funds and money managers.

A former Goldman Sachs partner, Mr. Gensler faced delays in Senate confirmation last year when lawmakers questioned his will to tighten regulation. He won approval after stressing he was committed to exploring position limits.

Two CFTC commissioners, Democrat Michael Dunn and Republican Jill Sommers, have voiced skepticism, saying limits may drive business into unregulated parts of the U.S. market or overseas.

The proposal will be open for public comment and a second vote is required to put it into effect.

Part of the debate has centered on where to set the limits, people familiar with the matter said. If the position limits are set high enough, they wouldn't affect most futures-market traders and could be largely window-dressing.

The limits are expected to be "generous," according to people familiar with the proposal. They said the CFTC is using a method similar to the one that sets speculative limits in some agricultural markets, where traders face a cap in the percentage of outstanding contracts they are permitted to hold.

If the same formula is applied to energy, it is unlikely that any company or fund would be forced to significantly reduce the number of contracts held today. In the past, it would have affected several exchange-traded funds, including the **United States Oil Fund** and **United States Natural Gas Fund**, which at their peak levels would have been caught above the limit. Those funds and others are already adjusting their portfolios in anticipation of the rules by adding more overseas contracts.

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PSE chief to depart early

Lim cites health, denies differences with brokers spurred move

By Cris Larano

MANILA—The Philippine Stock Exchange said its president for the past five years, Francisco Ed Lim, will step down from his post on Feb. 16, several months before his three-year contract expires.

Mr. Lim, who has spearheaded several reforms in the exchange, said in a hastily called teleconference that he was stepping down for health reasons. He denied that his decision to quit before his contract expires in May was spurred by policy differences with stockbrokers, including those sitting on the PSE board.

"Of course it was inevitable that there were disagreements along the way. But we have resolved those disagreements in a very professional manner," said Mr. Lim, who joined the PSE in 2004 and had his contract renewed in 2007.

Mr. Lim said he has been contemplating resigning since late last year on the advice of his doctor.

"I underwent a medical checkup recently resulting from my stent operation, way back in 2006. I have been advised to lay low," he said. "Stress is detrimental to my health."

A lawyer before joining the stock exchange, Mr. Lim said he will return to private practice once he steps down.

During the teleconference, Harsh Modi of J.P. Morgan expressed concern that investors may be unnerved by Mr. Lim's resignation because the PSE president has been instrumental in pushing for legislative measures needed by the capital market as well as in making the PSE a more "shareholder-friendly than a broker-controlled organization."

Agence France-Presse/Getty Images

A trader at the Philippine Stock Exchange. The president will leave Feb. 16.

Mr. Lim played down these concerns, saying the exchange has a professional staff and that it was the PSE board that pushed for reforms two years ago.

Hans Sicat, chairman of the PSE's board of governors, said it was "unfair" to link Mr. Lim's departure with any disagreement with other members of the PSE board.

Mr. Sicat said a search committee has been formed to find a successor for Mr. Lim. "We're talking to a few people," he said.

He said lawyer Val Antonio Suarez was appointed chief operating officer of the PSE effective Jan. 18.

At least on Thursday, the stock market appeared to have taken Mr. Lim's impending departure in stride, with the benchmark index rising to a 23-month high of 3121.91 in heavy volume following gains in the U.S. and regional stock markets.

SEC aims to ban 'naked access'

By Scott Patterson

The SEC proposed to ban a trading arrangement known as "naked access," in a move that could set back the fast-growing high-frequency trading industry.

Naked access enables high-speed traders and others to rapidly buy and sell stocks directly on exchanges using a broker's computer code without exchanges or regulators always knowing who is making the trades. The practice is akin to members of an exclusive club charging others to use their pass.

The Securities and Exchange Commission fears that a firm trading anonymously this way could trigger destabilizing losses and threaten market stability if their rapid-fire trades go awry, Chairman Mary Schapiro said Wednesday.

The proposed ban would require "that if a broker-dealer is going to loan his keys [to a naked-access trader], he not only must remain in the car, but he must also see to it that the person driving observes the rules before the car is ever put into drive," Ms. Schapiro said in a meeting on the new proposal.

Defenders of naked access say the rapid trading it enables provides liquidity to markets. They say high-speed trading firms are sophisticated and have risk-management tools that limit the likelihood of destabilizing trades.

In addition to high-frequency firms that use naked access, many market players have a stake in the outcome of the proposal. They include exchanges that make money from naked-access trading volume, brokers that provide naked access to traders, and the proprietary-trading operations of some large banks that could have a competitive advantage if naked access is banned.

In the race for speed, a rising number of high-speed traders in recent years have used naked access to gain an edge over competitors. Naked access accounts for 38% of market volume, up from 9% in 2005, according to Aite Group, a Boston research group that tracks electronic trading.

The rule proposed Wednesday would require brokers that permit access via their codes to subject clients to pretrade checks. That means traders who aren't registered brokers would need to funnel market orders through the broker's computer systems before the orders go to the exchange—an arrangement known as sponsored access. For now, naked-access orders are largely subject to checks that occur after the trades have been executed.

Since the trades are sent without pretrade checks, they reach the market faster than trades filtered through a broker's system.

A firm that uses naked access can execute a trade in 250 to 350 microseconds, compared with 550 to 750 microseconds for trades that travel through a broker's computer system by sponsored access, according to Aite's report. A microsecond is one-millionth of a second.

In the computer-driven world of high-frequency trading, the gap can mean the difference between winning and losing. Experts say few traders who use naked access will agree to filter trades through a broker. Instead, they will apply to become brokers themselves.

That could lead to unintended consequences, some say. "If [the SEC] takes away that level of access, they've created a lot more barriers to entry for firms trying to get into the space," said Jeff Bell, executive vice president of the clearing and technology group at Wedbush Securities, a Los Angeles firm that provides clients naked-access services.

That could make it harder for new firms get a foothold in high-frequency trading. It also could lead to more consolidation among high-frequency firms, which could share the expenses of becoming a registered broker, he said.

Some fear a ban on naked access could make high-frequency trading even more risky. Trading firms that currently use a broker's computer code are subject to the broker's risk-management oversight, even if the trades aren't funneled directly through the broker's systems.

High-frequency trading firms that become brokers would effectively trade the oversight of a broker with government oversight.

That is a poor trade, says Larry Tabb, chief executive of financial-services consulting firm Tabb Group. Brokers have an incentive to ensure that firms they sponsor trade safely, because they can be on the hook for big losses incurred by the firm. "The issue becomes in effect nobody is looking over their shoulder" in real time, he said.

Separately, on Wednesday, exchange operator **NYSE Euronext** fined a unit of **Credit Suisse Group** AG $150,000, saying that the firm violated trading rules in November 2007 when one of its algorithms mistakenly routed "hundreds of thousands" of cancel/replace requests for orders that had never been sent in the first place, causing a jam that slowed other trades.

—Jacob Bunge contributed to this article.

Morgan and Goldman skirmish over calendar

By Susanne Craig

Morgan Stanley and **Goldman Sachs Group** Inc. have taken their longtime cat-and-mouse game to a new level: jockeying over when to release their earnings reports for 2009.

The contest might look petty, but there is plenty at stake.

Each is hoping to better control the public perceptions of their respective releases. Goldman is trying to deflect some attention from its bonus pool and highlight the differences between its highly profitable year and Morgan's lackluster results. Morgan would prefer to avoid comparisons.

The story began in late December, when Morgan slated its earnings announcement for Jan. 21. A strange thing happened a few weeks later. Goldman announced its own plans to release its year-end earnings. The date: Jan. 21.

The move turned heads on Wall Street. Firms typically pick different days to report so analysts have more time to digest the data. In fact, Goldman and Morgan have reported on the same day only a handful of times during the past 10 years. Over the past few years, Goldman has typically reported a week or so before Morgan.

The change was no accident, according to people close to Goldman.

Analysts are predicting Morgan will post a profit of $526 million in the fourth quarter as it grapples with fallout from the mortgage crisis.

Goldman is having one of its best years in history. Analysts polled by Thomson Reuters expect the firm to post a profit nearly six times that of Morgan, or about $2.9 billion.

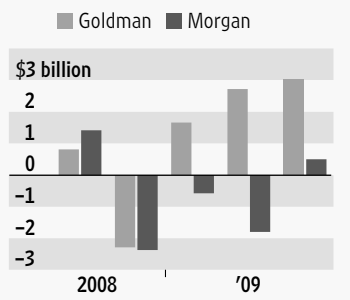
Goldman's date-change agitated people inside Morgan, according to people familiar with the matter. In a countermove, Morgan said Jan. 8 that it was bumping up its call one day, to Wednesday, Jan. 20.

Morgan said it moved the announcement not to distance itself from Goldman.

Back and forth

Goldman Sachs and Morgan Stanley have gone round and round about when to report fourth-quarter earnings.

Profit/loss*:



*Applicable to common shareholders
Note: Because of a fiscal-year change, 2008 results exclude a one-month period for each company.
Source: Revere Research

Rather, it needed to accommodate the schedule of James Gorman, its incoming chief executive, a spokeswoman said, who wasn't available Jan. 21.

Typically earnings calls are handling by the chief financial officer, but Mr. Gorman was keen to participate in his first call as chief executive, said the spokeswoman. Morgan wouldn't comment on Mr. Gorman's schedule on Jan. 21.

This isn't the first time Goldman has been caught in a hubbub over earnings announcements. Firms that are first out of the gate with strong earnings sometimes get a nice stock bump, as Goldman did in the first quarter of 2006, when its earnings beat analyst expectations by more than 50%.

A day later, Lehman Brothers Holdings Inc. reported its earnings, but in beating analyst expectations by just 15%, failed to move investors. Its stock actually sank that day.

Lehman changed its strategy the next quarter, moving its earnings date at the last minute so that it could report ahead of Goldman. The move was for naught, however. Lehman's stock sank anyway.

Exchange-traded funds top $1 trillion in assets

By Ian Salisbury

Exchange-traded funds are now a trillion-dollar business, according to a report by **BlackRock** Inc., the largest ETF firm.

BlackRock, which bought the iShares ETF business from Barclays PLC last year, on Wednesday said assets in ETFs around the world reached a peak of $1.032 trillion at the end of 2009, up 45% during the year. The surge came as markets rebounded from the financial crisis and investors continued to pour money into the funds.

U.S. ETF assets were about $706 billion. Outside the U.S. the bulk of ETF assets, about $224 billion, were in Europe.

ETFs resemble conventional open-end mutual funds but trade like stocks, an attractive feature for many buyers. Still, even at a trillion dollars, the ETF industry is dwarfed by the traditional fund business.

Figures for 2009 mutual-fund assets haven't been published yet by the Investment Company Institute, the fund industry's Washington trade group. However, the ICI calculates world-wide assets in conventional funds were nearly $19 trillion at the end of 2008, near the height of the financial crisis, when asset prices were significantly depressed.

Investment dollars in ETFs could sooner or later eclipse those in hedge funds. Global hedge-fund assets were about $1.53 trillion as of the third quarter, according to Hedge Fund Research Inc., of Chicago.

ETFs already are larger than separately managed accounts, at least in the U.S. SMA assets were about $527 billion at the end of the third quarter, according to Cerulli Associates.

Despite their rapidly expanding asset base, ETFs are far less profitable dollar-for-dollar for money managers than mutual funds or hedge funds. Low prices are a prime factor in driving investors to these types of funds, so their increasing popularity isn't necessarily a boon for fund companies.

MARKETS

Palladium should shine this year

Survey predicts prices will rise an average 28% in 2010; gold may set another record, gain average of 18%

By Devon Maylie

LONDON—Gold dominated commodity headlines in 2009 for its record-breaking rise, but it is palladium that analysts forecast to shine this year, according to a poll conducted by Dow Jones Newswires.

The poll, of 41 analysts at investment banks, trading houses and research organizations across the globe, shows they expect palladium to average $418 a troy ounce this year, up 58% from the 2009 traded average of $265.

The rise will be driven by investor flows aided by new exchange-traded-fund products in the U.S., as well as the risk of a supply shortfall if car makers need more of the metal as economies recover, those polled said.

Almost 60% of all palladium and platinum produced goes into the auto industry as a component in catalytic converters, which convert harmful gases from auto exhaust into less dangerous substances. The two metals are among six metals grouped together as the platinum group because of their superior catalytic properties.

Platinum is forecast to average $1,542 an ounce in 2010, up 28% from the 2009 traded average of $1,207 an ounce.

"With industrial demand supposed to pick up, we prefer the platinum group metals over gold and silver," Swiss & Global Asset Management Ltd. said. The group manages the Julius Baer Funds.

ITAR-TASS

Sales of palladium from Russian stockpiles will influence prices this year. Above, palladium cakes at a Russian plant.

Paladium, which also is used in electronics such as computers, mobile phones and televisions, as well as fuel cells and dentistry, has the added bullish backdrop of the possibility that sales from Russian stockpiles don't materialize as expected, said Tom Kendall, an analyst in London at Mitsubishi Corp.

Russia has an unknown amount of palladium stocks. Sales from that stash have kept the metal in surplus, but without them, the palladium market would be in a deficit. Auto catalyst maker **Johnson Matthey** predicts the stocks should decline significantly after 2011.

The world's largest producer of palladium is Russia's **Norilsk Nickel**. Large producers also are in South Africa, Canada and the U.S.

Gold prices, too, should climb this year and hit another record, survey participants forecast, despite concerns that the market has formed a bubble.

The poll participants predict an average gold price of $1,149 a troy ounce for 2010, which is 18% higher from the 2009 traded average of $973 an ounce. The metal rose about 40% from the end of 2008 to a record high of $1,226.30 an ounce on the spot market at the beginning of December.

Analysts polled said the major risks to a higher gold price are signs that interest rates may begin to rise and the U.S. dollar to strengthen.

"Anticipated changes in monetary policy in 2010, notably the withdrawal of exceptional quantitative-easing measures or the tightening of policy rates in Asia, can act to reduce investor interest," said BNP Paribas analyst Anne-Laure Tremblay.

The decision by the People's Bank of China to increase the yuan-reserve requirement for banks sparked concerns that the country will seek to deflate potential bubbles forming in asset classes there by removing some liquidity from the markets.

But Ms. Tremblay said those concerns could be countered by a fear of inflation, and gold is a popular investment to protect against that risk.

VM Group said more speculative demand will fuel gold in 2010 but "probably at a slower pace, with hiccups along the way."

For silver, the respondents predict an average of $18 an ounce for 2010, which is up 22% from the 2009 traded average of $14.70 an ounce.

China's 'through train' dies an official death

By Michelle Ng And Shen Hong

SHANGHAI—A longshot proposal from Chinese officialdom that spurred a massive surge in Hong Kong stocks three years ago, as well as a similarly dramatic drop when it failed to materialize, is now officially dead.

Dubbed the "through train" in Chinese, the 2007 proposal would have created a trial program to allow mainland Chinese individuals to invest directly in securities listed in Hong Kong and other overseas markets. Excitement over a potential surge of mainland cash into Hong Kong stocks helped send the benchmark Hang Seng Index up about 55% from an August low to a late October high that year.

But the proposal never moved forward, and the index gave up most of those gains in early 2008 on investor disappointment as well as the then-deepening financial crisis.

China's foreign-exchange regulator said in a statement on its Web site dated Dec. 18 but posted this week that a document guiding the program had expired.

Analysts said Beijing's focus has shifted since the State Administration of Foreign Exchange issued the document. Chinese officials are now looking at other ways to allow mainland investors to put money in foreign companies, including an expected decision this year to allow offshore entities to list shares in Shanghai.

Beijing was also leery that small investors could get hurt. "I never thought the 'through train' scheme was going to materialize anyway because allowing retail investors to buy shares in Hong Kong, where there's no downside trade limit, entailed too much risk, something Beijing doesn't like," said Capital Securities analyst Amy Lin.

Hang Seng Index
Daily closes from August 2007 through February 2008

Source: Thomson Reuters Datastream

Shares listed in China aren't allowed to fall beyond the 10% daily limit.

China offers a qualified domestic institutional investor program, which allows banks, fund managers and insurers to invest in overseas securities within predetermined quotas.

Wang Guoping, head of research at Galaxy Securities, said it was an urge to divert excess liquidity out of China in 2007, a year in which the Shanghai Composite Index rallied 97%, that led Beijing to consider the idea. Authorities now have other ways to curb liquidity, he said.

—Rose Yu contributed to this article.

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Dollar loses ground on the yen, Aussie

By Fabio Alves

CURRENCY MARKETS

NEW YORK—The dollar was lower against the yen and currencies from commodities-rich countries Thursday after disappointing U.S. data fueled expectations that the Federal Reserve will keep interest rates on hold for an extended time.

The dollar tumbled to its lowest level in almost two months against the Australian currency, while it hit fresh intraday lows against the yen and the Canadian dollar after December U.S. retail sales showed an unexpected drop.

The yen benefited from a drop in U.S. Treasury yields, making dollar-denominated assets less attractive, traders said.

The euro was the worst performer among the majors, sliding against the dollar and the yen.

European Central Bank President Jean-Claude Trichet voiced support for a strong U.S. currency and said fiscally stressed Greece will receive no special treatment.

In late-morning trading, the euro was at $1.4470 from $1.4511 late Wednesday. The dollar was at 91.10 yen from 91.45 yen, while the euro was at 131.85 yen from 132.71 yen. The U.K. pound was at $1.6312 from $1.6288. The dollar was at 1.0221 Swiss francs from 1.0184 francs.

The Australian dollar rose to $0.9305 from $0.9243.

Stocks give lift to Japan's yields

By Megumi Fujikawa

BOND MARKETS

TOKYO—Japanese government-bond yields rose Thursday despite a strong auction of 40-year bonds, as demand for safe-haven assets weakened on a 1.6% jump in Tokyo shares.

But with bond prices having fallen steadily since the start of the year, domestic players may soon start buying, analysts said.

"Players, including banks and life insurers, don't seem to have built large long positions in November and December, so they are still likely to have surplus cash to spend during the January-March period," said Chotaro Morita, chief strategist at Barclays Capital.

The benchmark 10-year yield firmed 0.01 percentage point to 1.335%. It ended 2009 at 1.29%. Prices and yields move in opposite directions.

At the auction, the government sold 299.3 billion yen ($3.27 billion) of 40-year paper at a lowest price of 96.67 to yield 2.33%.

Treasurys firm on retail sales, jobless data

By Min Zeng

U.S. CREDIT MARKETS

NEW YORK—Treasury prices rose Thursday, recovering from the selling a day earlier, as U.S. retail sales unexpectedly dropped and weekly jobless claims rose.

Bond prices had already started to recover following comments from New York Federal Reserve Bank President William Dudley, who said the central bank could keep the main policy rate at an ultra-low level near zero for "at least six months" and "could be a year from now, two years from now" depending on the economic outlook.

Interest-rate-futures traders cut bets significantly on rate increases from the Fed as early as mid-2010 following last week's poor nonfarm payroll data, pushing the two-year note's yield, among the most sensitive to changes in official rate outlook, to dip back below 1%.

"A retail-sales number that can only be described as shockingly poor ignited the bid," said Christian Cooper, interest-rate strategist in New York at RBC Capital Markets. "Fed-funds futures to December 2010 are also performing well on the shifting view that it may be into 2011 before the Fed is able to raise rates."

In late-morning trade, the price of the two-year Treasury note was 2/32 higher at 100 5/32, with a yield of 0.9193%, while the 10-year note was 9/32 higher at 96 30/32 to yield 3.7499%. The 30-year bond was 17/32 higher at 95 8/32 to yield 4.6714%. Bond prices move inversely to their yields.

The bond market is braced for the sale of $13 billion 30-year bonds at 1 p.m., the last leg of this week's $84 billion government note and bond auctions.

Suvrat Prakash, an interest-rate strategist at BNP Paribas Securities Corp., said he expects the 30-year bond auction would go well given the sales earlier this week have enticed decent demand.

The 30-year bond has been less dependent on foreign buyers compared to shorter maturities, he said. Pension funds and insurance companies are the main buyers of the long bond.

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Leading 10 Performers

FUND RATING *	FUND NAME	FUND MGM'T CO.	CURR.	LEGAL BASE	% Return in $US ** YTD	1-YR	2-YR	5-YR
1	**BDT Invest Japanese Sm Comp A £**	BDT Invest LLP	GBP	Ireland	**3.18**	48.31	-19.57	-9.89
4	**M&G Japan Smaller Companies A EUR**	M&G Group	EUR	United Kingdom	**6.67**	43.42	2.25	-4.94
2	**AXA Framlington Japan Smlr Coms**	AXA Investment Managers UK Ltd.	GBP	United Kingdom	**2.39**	29.80	-3.97	NS
NS	**Fidelity Japanese Values**	FIL Investments International	GBP	United Kingdom	**1.94**	29.27	-13.60	-8.14
2	**Baillie Gifford Japan Inv Trust**	Baillie Gifford </td> Co Limited.	GBP	United Kingdom	**6.85**	28.29	-10.59	-1.56
1	**Lyxor Index Fund Japan IE**	Lyxor Asset Management	EUR	Luxembrg	**5.28**	27.57	-20.16	NS
1	**BDT Invest Japan Focus B GBP**	BDT Invest LLP	GBP	Ireland	**3.67**	26.07	-27.24	NS
4	**Allianz RCM Japan Smaller Co A EUR**	Allianz Global Investors Ireland Ltd	EUR	Ireland	**3.03**	24.94	-6.16	-0.93
4	**Henderson Horizon Japanese Smlr Coms A2**	Henderson Global Investors Ltd.	USD	Luxembrg	**2.99**	24.85	3.75	-1.00
1	**SGAM Fund Eqs Japan Small Cap A**	Société Générale Asset Management	JPY	Luxembrg	**2.65**	22.76	-8.90	-11.51

NOTE: Changes in currency rates will affect performance and rankings.
KEY: ** 2YR and 5YR performance is annualized
NA-not available due to incomplete data;
NS-fund not in existence for entire period

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FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	—%RETURN— YTD	12-MO	2-YR
AHW Top-Div.Int.	GL	EQ	LUX	01/12	EUR	53.94	-1.3	15.8	-26.9

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FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	—%RETURN— YTD	12-MO	2-YR
Am Eq Blend A	OT	OT	LUX	01/13	USD	10.66	2.8	34.4	-11.8
Am Eq Blend B	US	EQ	LUX	01/13	USD	10.01	2.7	33.1	-12.7
Am Growth A	US	EQ	LUX	01/13	USD	31.74	1.6	41.6	-3.1
Am Growth AX	US	EQ	LUX	01/13	USD	34.27	1.6	42.5	-2.6
Am Growth B	US	EQ	LUX	01/13	USD	26.68	1.6	40.2	-4.1
Am Growth C	US	EQ	LUX	01/13	USD	28.71	1.6	41.0	-3.5
Am Growth I	US	EQ	LUX	01/13	USD	35.18	1.6	42.7	-2.4
Am Income A	US	BD	LUX	01/13	USD	8.51	0.9	24.0	5.8
Am Income A2	US	BD	LUX	01/13	USD	19.26	1.2	23.9	5.8
Am Income A2	OT	OT	NA	01/13	HKD	149.39	1.2	NS	NS
Am Income AT	OT	OT	NA	01/13	HKD	66.01	1.2	NS	NS
Am Income AT	US	BD	LUX	01/13	USD	8.51	1.2	24.0	5.8
Am Income B	US	BD	LUX	01/13	USD	8.51	0.9	23.0	5.0
Am Income B2	US	BD	LUX	01/13	USD	16.60	1.2	23.1	5.1
Am Income B2	OT	OT	NA	01/13	HKD	128.76	1.2	NS	NS
Am Income BT	OT	OT	NA	01/13	HKD	66.32	1.2	NS	NS
Am Income BT	US	BD	LUX	01/13	USD	8.55	1.1	23.1	5.1
Am Income C	US	BD	LUX	01/13	USD	8.51	0.9	23.3	5.3
Am Income C2	US	BD	LUX	01/13	USD	24.68	1.1	23.3	5.3
Am Income I	US	BD	LUX	01/13	USD	8.51	0.9	24.7	6.5
Am Value A	US	EQ	LUX	01/13	USD	8.73	2.3	22.6	-11.8
Am Value B	US	EQ	LUX	01/13	USD	8.03	2.3	21.3	-12.7
Am Value C	US	EQ	LUX	01/13	USD	8.73	2.3	22.1	-12.2
Am Value I	US	EQ	LUX	01/13	USD	9.40	2.4	23.7	-11.0
Emg Mkts Debt A	GL	BD	LUX	01/13	USD	15.73	1.1	44.3	8.2
Emg Mkts Debt A2	GL	BD	LUX	01/13	USD	20.37	1.3	44.6	8.2
Emg Mkts Debt AT	GL	BD	LUX	01/13	USD	15.81	1.3	44.7	8.3
Emg Mkts Debt B	GL	BD	LUX	01/13	USD	15.73	1.1	43.0	7.1
Emg Mkts Debt B2	GL	BD	LUX	01/13	USD	19.61	1.3	43.1	7.2
Emg Mkts Debt BT	GL	BD	LUX	01/13	USD	15.78	1.3	43.1	7.1
Emg Mkts Debt C	GL	BD	LUX	01/13	USD	15.73	1.1	43.7	7.7
Emg Mkts Debt C2	GL	BD	LUX	01/13	USD	20.02	1.3	43.9	7.7
Emg Mkts Debt I	GL	BD	LUX	01/13	USD	15.73	1.1	45.1	8.7
Emg Mkts Growth A	GL	EQ	LUX	01/13	USD	35.34	2.0	82.7	-11.3
Emg Mkts Growth B	GL	EQ	LUX	01/13	USD	29.94	1.9	80.9	-12.2
Emg Mkts Growth C	GL	EQ	LUX	01/13	USD	30.63	2.0	82.0	-11.7
Emg Mkts Growth I	GL	EQ	LUX	01/13	USD	39.19	2.0	84.3	-10.6
Eur Growth A	OT	OT	LUX	01/13	EUR	10.38	1.8	27.6	-14.2
Eur Growth A	OT	OT	LUX	01/13	EUR	7.16	1.8	27.6	-14.2
Eur Growth B	OT	OT	LUX	01/13	EUR	6.43	1.7	26.1	-15.1
Eur Growth B	OT	OT	LUX	01/13	USD	9.32	1.7	26.1	-15.1
Eur Growth C	EU	EQ	LUX	01/13	EUR	5.42	1.7	26.9	-14.6
Eur Growth I	OT	OT	LUX	01/13	USD	11.31	1.7	28.5	-13.6
Eur Growth I	OT	OT	LUX	01/13	EUR	7.80	1.7	28.5	-13.6
Eur Income A	OT	OT	LUX	01/13	EUR	6.74	2.1	37.5	5.2
Eur Income A	OT	OT	LUX	01/13	USD	9.77	2.1	37.5	5.2
Eur Income A2	OT	OT	LUX	01/13	EUR	13.17	2.3	37.5	5.2
Eur Income A2	OT	OT	LUX	01/13	USD	19.10	2.3	37.5	5.2
Eur Income AT	EU	BD	LUX	01/13	EUR	6.74	2.4	37.5	5.2
Eur Income B	OT	OT	LUX	01/13	EUR	6.74	2.1	36.7	4.5
Eur Income B	OT	OT	LUX	01/13	USD	9.77	2.1	36.7	4.5
Eur Income B2	OT	OT	LUX	01/13	EUR	12.24	2.3	36.5	4.4
Eur Income B2	OT	OT	LUX	01/13	USD	17.75	2.3	36.5	4.4
Eur Income BT	EU	BD	LUX	01/13	EUR	6.74	2.3	36.7	4.5
Eur Income C	OT	OT	LUX	01/13	EUR	6.74	2.1	36.9	4.8
Eur Income C	OT	OT	LUX	01/13	USD	9.77	2.1	36.9	4.8
Eur Income C2	OT	OT	LUX	01/13	EUR	13.12	2.3	36.8	4.7
Eur Income C2	OT	OT	LUX	01/13	USD	19.03	2.3	36.8	4.7
Eur Income I	OT	OT	LUX	01/13	EUR	6.74	2.1	38.1	5.8
Eur Income I	OT	OT	LUX	01/13	USD	9.77	2.1	38.1	5.8
Eur Strat Value A	OT	OT	LUX	01/13	EUR	8.62	1.1	22.6	-18.3
Eur Strat Value A	OT	OT	LUX	01/13	USD	12.50	1.1	22.6	-18.3
Eur Strat Value I	OT	OT	LUX	01/13	EUR	8.83	1.0	23.7	-17.6
Eur Strat Value I	OT	OT	LUX	01/13	USD	12.81	1.0	23.7	-17.6
Eur Value A	OT	OT	LUX	01/13	EUR	9.29	1.0	27.1	-15.2
Eur Value A	OT	OT	LUX	01/13	USD	13.47	1.0	27.1	-15.2
Eur Value B	OT	OT	LUX	01/13	USD	12.38	0.9	25.8	-16.0
Eur Value B	OT	OT	LUX	01/13	EUR	8.54	0.9	25.8	-16.0
Eur Value C	OT	OT	LUX	01/13	USD	13.02	1.0	26.5	-15.5
Eur Value C	OT	OT	LUX	01/13	EUR	8.98	1.0	26.5	-15.5
Eur Value I	OT	OT	LUX	01/13	USD	15.56	1.0	28.0	-14.5
Eur Value I	OT	OT	LUX	01/13	EUR	10.73	1.0	28.0	-14.5
GI Balanced (Euro) A	OT	OT	LUX	01/13	USD	16.89	1.6	23.2	-9.4
GI Balanced (Euro) B	OT	OT	LUX	01/13	USD	16.46	1.6	22.0	-10.3
GI Balanced (Euro) C	OT	OT	LUX	01/13	USD	16.76	1.6	22.8	-9.6
GI Balanced (Euro) I	OT	OT	LUX	01/13	USD	17.21	1.6	NS	NS
GI Balanced A	US	BA	LUX	01/13	USD	16.81	2.0	28.8	-8.8
GI Balanced B	US	BA	LUX	01/13	USD	15.98	2.0	27.5	-9.7
GI Balanced C	OT	OT	LUX	01/13	USD	16.56	2.0	28.4	-9.1
GI Balanced C	OT	OT	LUX	01/13	EUR	11.42	2.0	28.4	-9.1
GI Balanced I	US	BA	LUX	01/13	USD	17.44	2.0	29.7	-8.2
GI Bond A	US	BD	LUX	01/13	USD	9.33	1.0	13.2	4.6
GI Bond A2	US	BD	LUX	01/13	USD	16.19	1.1	13.1	4.6
GI Bond A2	OT	OT	NA	01/13	HKD	125.58	1.1	13.1	4.6
GI Bond AT	OT	OT	LUX	01/13	HKD	72.29	1.1	13.1	4.6
GI Bond AT	US	BD	LUX	01/13	USD	9.32	1.1	13.1	4.6
GI Bond B	US	BD	LUX	01/13	USD	9.33	1.0	12.1	3.5
GI Bond B2	US	BD	LUX	01/13	USD	14.17	1.1	12.0	3.5
GI Bond B2	OT	OT	NA	01/13	HKD	109.91	1.1	12.0	3.5
GI Bond BT	OT	OT	LUX	01/13	HKD	72.60	1.1	12.0	3.5
GI Bond BT	US	BD	LUX	01/13	USD	9.36	1.1	12.0	3.5
GI Bond C	US	BD	LUX	01/13	USD	9.33	1.0	12.7	4.1
GI Bond C2	US	BD	LUX	01/13	USD	14.04	1.1	12.6	4.1
GI Bond I	US	BD	LUX	01/13	USD	9.33	1.0	13.8	5.2
GI Conservative A	US	BA	LUX	01/13	USD	15.08	1.4	18.3	-3.0
GI Conservative A2	US	BA	LUX	01/13	USD	17.16	1.4	18.3	-3.1
GI Conservative B	US	BA	LUX	01/13	USD	15.06	1.3	16.7	-4.2
GI Conservative B2	US	BA	LUX	01/13	USD	16.30	1.3	17.1	-4.0
GI Conservative C	US	BA	LUX	01/13	USD	15.06	1.3	17.1	-3.8
GI Conservative C2	US	BA	LUX	01/13	USD	16.79	1.4	17.8	-3.5
GI Conservative I	US	BA	LUX	01/13	USD	15.15	1.4	18.4	-2.6
GI Eq Blend A	GL	EQ	LUX	01/13	USD	11.97	2.7	38.9	-18.3
GI Eq Blend B	GL	EQ	LUX	01/13	USD	11.23	2.6	37.5	-19.2
GI Eq Blend C	GL	EQ	LUX	01/13	USD	11.75	2.5	38.1	-18.7
GI Eq Blend I	GL	EQ	LUX	01/13	USD	12.63	2.7	40.0	-17.7
GI Growth A	GL	EQ	LUX	01/13	USD	42.91	2.4	37.6	-19.4
GI Growth B	GL	EQ	LUX	01/13	USD	35.81	2.4	36.2	-20.2
GI Growth C	GL	EQ	LUX	01/13	USD	41.17	2.4	37.0	-19.8
GI Growth I	GL	EQ	LUX	01/13	USD	47.66	2.4	38.7	-18.8
GI High Yield A	US	BD	LUX	01/13	USD	4.43	2.3	57.9	5.9
GI High Yield A2	US	BD	LUX	01/13	USD	9.50	2.6	57.8	5.9
GI High Yield A2	OT	OT	NA	01/13	HKD	73.69	2.6	57.8	5.9
GI High Yield AT	OT	OT	NA	01/13	HKD	34.05	2.6	57.5	5.9
GI High Yield AT	US	BD	LUX	01/13	USD	4.39	2.6	57.5	5.9
GI High Yield B	US	BD	LUX	01/13	USD	4.43	2.3	55.9	4.6
GI High Yield B2	US	BD	LUX	01/13	USD	15.27	2.6	56.3	4.9
GI High Yield B2	OT	OT	NA	01/13	HKD	118.44	2.6	56.3	4.9
GI High Yield BT	OT	OT	NA	01/13	HKD	34.67	2.5	56.3	4.9
GI High Yield BT	US	BD	LUX	01/13	USD	4.47	2.5	56.3	4.9
GI High Yield C	US	BD	LUX	01/13	USD	4.43	2.3	57.1	5.4
GI High Yield C2	US	BD	LUX	01/13	USD	14.08	2.6	57.1	5.5
GI High Yield I	US	BD	LUX	01/13	USD	4.43	2.3	59.0	6.6
GI Thematic Res. A	OT	OT	LUX	01/13	USD	15.17	3.0	78.9	1.6
GI Thematic Res. B	OT	OT	LUX	01/13	USD	13.26	2.9	77.0	0.6
GI Thematic Res. I	OT	OT	LUX	01/13	USD	16.91	2.9	80.3	2.4
GI Value A	GL	EQ	LUX	01/13	USD	11.46	2.9	40.3	-17.3
GI Value B	GL	EQ	LUX	01/13	USD	10.52	2.7	38.8	-18.1
GI Value C	GL	EQ	LUX	01/13	USD	11.13	2.8	39.5	-17.7
GI Value I	GL	EQ	LUX	01/13	USD	12.19	2.9	41.3	-16.6
Greater China A	AS	EQ	LUX	01/13	USD	40.47	1.1	68.2	-14.4
Greater China B	AS	EQ	LUX	01/13	USD	35.80	1.1	66.5	-15.3
Greater China C	AS	EQ	LUX	01/13	USD	39.95	1.1	67.4	-14.8
India Growth A	OT	OT	LUX	01/13	USD	131.14	3.3	NS	NS
India Growth AX	OT	OT	LUX	01/13	USD	114.65	3.3	97.4	-9.4
India Growth B	OT	OT	LUX	01/13	USD	137.34	3.3	NS	NS
India Growth BX	OT	OT	LUX	01/13	USD	97.96	3.3	95.4	-10.3
India Growth I	EA	EQ	LUX	01/13	USD	118.83	3.4	98.2	-9.0
Int'l Health Care A	OT	EQ	LUX	01/13	USD	141.08	2.6	22.8	-8.8
Int'l Health Care B	OT	EQ	LUX	01/13	USD	118.95	2.6	21.5	-9.7
Int'l Health Care I	OT	EQ	LUX	01/13	USD	154.18	2.7	23.7	-8.0
Int'l Technology A	OT	EQ	LUX	01/13	USD	110.99	0.6	53.6	-6.6
Int'l Technology B	OT	EQ	LUX	01/13	USD	96.14	0.5	52.1	-7.6
Int'l Technology C	OT	EQ	LUX	01/13	USD	107.24	0.6	52.9	-7.1
Int'l Technology I	OT	EQ	LUX	01/13	USD	124.48	0.6	54.8	-5.9
Japan Eq Blend A	JP	EQ	LUX	01/13	JPY	6258.00	3.9	25.7	-18.6
Japan Eq Blend B	JP	EQ	LUX	01/13	JPY	6036.00	3.8	24.4	-19.4
Japan Eq Blend C	JP	EQ	LUX	01/13	JPY	6157.00	3.9	25.1	-19.0
Japan Growth A	JP	EQ	LUX	01/13	JPY	6008.00	2.3	17.1	-19.8
Japan Growth B	JP	EQ	LUX	01/13	JPY	5795.00	2.2	15.9	-20.6
Japan Growth C	JP	EQ	LUX	01/13	JPY	5911.00	2.3	16.6	-20.2
Japan Strat Value A	JP	EQ	LUX	01/13	JPY	6441.00	5.2	33.8	-18.0
Japan Strat Value B	JP	EQ	LUX	01/13	JPY	6220.00	5.2	32.5	-18.8
Japan Strat Value C	JP	EQ	LUX	01/13	JPY	6333.00	5.2	33.2	-18.3
Real Estate Sec. A	OT	EQ	LUX	01/13	USD	14.48	0.9	48.1	-11.4
Real Estate Sec. B	OT	EQ	LUX	01/13	USD	13.23	0.8	46.7	-12.3
Real Estate Sec. I	OT	EQ	LUX	01/13	USD	15.57	1.0	49.3	-10.7
Short Mat Dollar A	US	BD	LUX	01/13	USD	7.33	0.8	11.8	-5.3
Short Mat Dollar A2	US	BD	LUX	01/13	USD	9.88	0.9	11.8	-5.4
Short Mat Dollar AT	US	BD	LUX	01/13	USD	7.32	1.0	11.9	-5.4
Short Mat Dollar B	US	BD	LUX	01/13	USD	7.33	0.8	11.3	-5.8
Short Mat Dollar B2	US	BD	LUX	01/13	USD	9.83	0.9	11.2	-5.9
Short Mat Dollar BT	OT	OT	LUX	01/13	USD	7.34	1.0	11.0	-6.1
Short Mat Dollar C	US	BD	LUX	01/13	USD	7.33	0.8	11.3	-5.8
Short Mat Dollar C2	US	BD	LUX	01/13	USD	13.90	0.9	11.3	-5.8
Short Mat Dollar I	US	BD	LUX	01/13	USD	7.33	0.8	12.4	-4.8

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FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	—%RETURN— YTD	12-MO	2-YR
Alexandra Convertible Bond Fund I, Ltd. (Class A)	OT	OT	VGB	11/30	USD	1616.75	66.9	72.1	NS

CREDIT PACIFIC Private Banking & Wealth Management Group

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CPS-Master Priv Fund	GL	OT	WSM	01/13	USD	100.00	0.0	21.5	20.8

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Platinm-All Star	OT	OT	CYM	10/30	USD	95.07	13.2	5.7	-13.4
Platinm-All Weather	OT	OT	USA	10/31	USD	129.92	2.4	3.2	3.8
Platinm-Dynasty	OT	OT	USA	10/30	USD	108.45	5.5	2.5	-34.0
Platinm-Emancipation	OT	OT	USA	10/30	USD	93.58	25.0	9.3	-11.3
Platinm-Equity Plus	OT	OT	USA	05/29	USD	35.02	-18.2	-63.7	-45.6
Platinm-Gbl Dividend	OT	OT	CYM	10/30	USD	60.64	29.4	15.3	-31.8
Platinm-Nordic	OT	OT	CYM	10/30	SEK	607.79	11.4	9.7	-18.3
Platinm-Premier	OT	OT	CYM	12/31	USD	21.20	-55.9	-66.0	-44.3
Platinm-Turnberry	OT	OT	USA	10/30	USD	56.60	NS	NS	-38.7

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Superfund Cayman*	OT	OT	CYM	01/12	USD	45.19	7.7	-43.5	-2.7
Superfund GCT USD*	GL	EQ	LUX	01/12	USD	2419.00	9.0	-31.7	-0.6
Superfund Green Gold A (SPC)	OT	OT	CYM	01/12	USD	1049.52	7.8	-6.3	6.6
Superfund Green Gold B (SPC)	OT	OT	CYM	01/12	USD	1038.90	10.3	-19.2	3.3
Superfund Q-AG*	OT	OT	AUT	01/12	EUR	6990.00	5.5	NS	3.8

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Winton Evolution EUR Cls H	OT	OT	CYM	12/31	EUR	945.08	NS	NS	NS
Winton Evolution GBP Cls G	OT	OT	CYM	12/31	GBP	949.08	NS	NS	NS
Winton Evolution USD Cls F	OT	OT	CYM	12/31	USD	1199.12	-5.4	-5.4	2.0
Winton Futures EUR Cls C	OT	OT	VGB	12/31	EUR	196.82	-4.4	-4.4	7.7
Winton Futures GBP Cls D	OT	OT	VGB	12/31	GBP	212.85	-4.1	-4.1	8.7
Winton Futures JPY Cls E	OT	OT	VGB	12/31	JPY	13885.82	-5.9	-5.9	5.0
Winton Futures USD Cls B	OT	OT	VGB	12/31	USD	699.39	-4.6	-4.6	7.4

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MARKETS

Gains in tech offset Monsanto's losses

By Donna Kardos Yesalavich And Kristina Peterson

U.S. stock indexes rose as a rally in the tech sector offset lagging materials stocks.

The Dow Jones Industrial Average was up 21.39 points, or 0.2%, at 10702.16 in midday Thursday trading.

ABREAST OF THE MARKET

Four technology components were among the Dow's top performers, including **Intel**, up 1.6%, before the microchip maker's earnings report, due after the closing bell. **International Business Machines** was up 1.2%, while **Microsoft** was up 1.1% and **Hewlett-Packard** was up 1%.

Consumer stocks **Wal-Mart**, **Walt Disney** and **McDonald's** kept the Dow's gains in check as the Commerce Department reported an unexpected drop in U.S. retail sales in December from the previous month. Wal-Mart and Disney were both down 0.9%, and McDonald's was off 0.5%.

The Standard & Poor's 500-share index edged up 0.99 point, or 0.1%, to 1146.67.

Fertilizer company **Monsanto** dropped 2.2% after the Justice Department requested information about its genetically modified soybean-seed business. The U.S. government began been taking a broad look at the agriculture sector last year as part of the Obama administration's increased focus on antitrust enforcement.

The technology-heavy Nasdaq Composite firmed 6.47 points, or 0.3%, to 2314.37 on investors' hopes for strong numbers from Intel, a bellwether for the technology sector.

European stocks

Mining shares climbed, helping the market close higher.

The pan-European Dow Jones Stoxx 600 index rose 0.7% to 258.84, pushing gains for the year to 2.2%

Rio Tinto gained 2.2% in London after posting a 49% surge in fourth-quarter iron-ore production tied to strong demand from China.

Among major national indexes, the German DAX index rose 0.4% to 5988.88, the French CAC-40 index advanced 0.4% to 4015.77. The U.K. FTSE 100 index added 0.5% to 5498.20.

In Athens, the ASE general index rose 1%, its first gain in four sessions.

SAP rose 1.9%. The German business-software giant said margins and software revenue dropped but beat expectations.

Belgian food retailer **Delhaize** declined 2% in Brussels after reporting a 10% decline in fourth-quarter revenue.

Südzucker rose 7.1% after the midcap German sugar producer's third-quarter earnings more than doubled.

Wipro in talks on $1 billion ADR issue

By Dhanya Ann Thoppil And Nisha Gopalan

Indian software exporter **Wipro** Ltd. is in talks with investment bankers to advise it on a sponsored American depositary receipt issue valued at as much as $1 billion, a person familiar with the matter said Thursday.

A spokeswoman for Wipro, India's third-largest software exporter by revenue, declined to comment on what she called "market speculation."

Earlier in the day, local business channel ET NOW, citing unnamed sources, said the New York Stock Exchange-listed company is in talks with **Goldman Sachs Group** Inc., **Morgan Stanley**, **Citigroup** Inc. and **Credit Suisse Group** to manage the issue.

The report sent Wipro shares soaring to a 52-week high at 752 rupees ($16.53), rebounding from earlier losses. The stock closed up 3.6% at 741.30 rupees on the Bombay Stock Exchange.

Midday Thursday, Wipro's ADRs were down 6.6% on the NYSE.

The sponsored ADR offering is structured in such a way that Wipro will help owners of its stock in India sell their shares to investors in the U.S. There will be no new issue of shares, and Wipro won't raise any funds for itself from the issue.

The report also said the company's founder and chairman, Azim Premji, may shed part of his stake.

Asian markets advance as China concerns ease

By Myra P. Saefong, Wei-Zhe Tan and Kirsty Green

Asian markets finished mainly higher Thursday, buoyed by a rally on Wall Street as concerns over further monetary tightening in China eased. Stronger-than-expected jobs data also lifted shares in Sydney.

Australia's S&P/ASX 200 closed 0.6% higher at 4898.04, and the Shanghai Composite index finished up 1.4% at 3215.55, after falling 3.1% Wednesday. Japan's Nikkei Stock Average of 225 companies climbed 1.6% to 10907.68, and South Korea's Kospi Composite rose 0.9% to 1685.77. But Hong Kong's Hang Seng index shed 0.2% to 21716.95 by the close.

ASIAN-PACIFIC STOCKS

China shares reclaimed some of Wednesday's losses, which were sparked by the People's Bank of China's move to raise the reserve ratio requirement for banks.

"The most pressing worry about China is the overheating real-estate and stock markets," said Tony Sagami, editor of Asia Stock Alert. The move by the PBOC "shows that Beijing is serious about avoiding a U.S.-style meltdown—long term, a major positive."

Adding support, investor concerns about Beijing stepping up its monetary policy tightening eased after the central bank left the yield on benchmark bills unchanged during its regular open-market operation.

But the Hong Kong market ended slightly lower after falling 2.6% Wednesday, as worries over further tightening by Beijing continued to weigh on policy-sensitive banks and property developers. **Bank of Communications** fell 1.7% and **China Overseas Land** ended 2.3% lower.

"China banks and developers may still witness some selling pressure ahead, as China policy risks still prevail," said Linus Yip at First Shanghai.

In Sydney, the market received a boost from data showing the Australian economy created a further 35,200 jobs in December.

Metals shares closed mostly higher after **Rio Tinto** reported that its share of iron-ore production rose 12% on year and climbed 49% for the fourth quarter from the same time a year ago because of strong demand from China. Rio Tinto rose 2.6%. **BHP Billiton** closed up 1.5%.

"With the spot iron-ore price rallying significantly, you can see the strategic sense in ramping up production," said Chris Weston, an institutional dealer at IG Markets.

In Tokyo, shipping companies, banks and technology blue chips led the advance. **Sony** climbed 2.6%, **Panasonic** finished up 6.1% and **Sharp** closed 3.2% higher. Among shippers, **Nippon Yusen** added 5.1% and **Mitsui O.S.K. Lines** tacked on 7.2%.

In Seoul, the market rose on technology and automobile stock gains with **Samsung Electronics** up 3.8%, **Hynix Semiconductor** 5.8% higher and **Hyundai Motor** climbing 1.5%.

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FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	YTD	12-MO	2-YR
Concentra AE	EU	EQ	DEU	01/14	EUR	52.72	1.1	40.7	-9.4
Industria AE	EU	EQ	DEU	01/14	EUR	73.31	2.5	33.9	-13.8
InternRent AE	EU	BD	DEU	01/14	EUR	35.32	0.3	-1.1	8.8

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CAM-GTF Limited	AS	EQ	MUS	12/31	USD	274508.01	103.5	103.5	2.6

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FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	YTD	12-MO	2-YR
GAM Arbitrage Op	OT	OT	VGB	01/04	USD	1244.35	0.1	22.8	-8.4
GAM Asia Eq Hdg JPY Op	GL	EQ	VGB	01/11	JPY	16208.20	4.3	67.7	4.5
GAM Asia Equity Hedge US	OT	OT	VGB	01/11	USD	301.38	3.8	67.4	5.6
GAM Asia Equity USD	OT	OT	VGB	01/12	USD	671.59	2.7	76.2	-10.7
GAM Asia-Pacific Eq USD	OT	OT	VGB	01/12	USD	1357.33	5.8	25.3	-12.1
GAM Com Glb Bal EUR Op	US	BA	VGB	12/31	EUR	94.49	15.2	15.2	-9.0
GAM Com Glb Bal USD Op	US	BA	VGB	12/31	USD	127.78	15.2	15.2	-9.0
GAM Comp Glb Eq EUR Op	GL	EQ	VGB	12/31	EUR	97.11	22.1	22.1	-15.7
GAM Comp Glb Eq USD Op	GL	EQ	VGB	12/31	USD	127.52	22.1	22.1	-15.7
GAM Comp Glb Gr EUR Op	US	BA	VGB	12/31	EUR	85.62	15.6	15.6	-13.0
GAM Comp Glb Gr USD Op	US	BA	VGB	12/31	USD	127.07	15.6	15.6	-13.0
GAM CompAbsRT EUR Op	OT	OT	VGB	09/30	EUR	141.71	9.1	0.1	-6.9
GAM CompAbsRT SGD Op	OT	OT	VGB	09/30	SGD	102.21	9.2	-0.1	-8.3
GAM CompAbsRT USD Op	OT	OT	VGB	09/30	USD	845.66	9.5	0.7	-7.0
GAM Cptal Apprec Eq Inc	US	EQ	VGB	01/08	USD	255.42	2.7	36.5	-8.7
GAM Cross Trading Inc	OT	OT	VGB	12/31	USD	465.88	6.5	6.5	6.1
GAM Diversity CHF Op	OT	OT	VGB	12/31	CHF	94.31	4.2	4.2	-7.0
GAM Diversity EUR Op	OT	OT	VGB	12/31	EUR	648.51	5.1	5.1	-5.4
GAM Diversity USD 2.5XL	OT	OT	VGB	12/31	USD	78.29	8.5	8.5	-19.8
GAM Diversity USD Op	OT	OT	VGB	12/31	USD	680.96	5.1	5.1	-5.9
GAM Dvrsty II CHF Op	OT	OT	VGB	12/31	CHF	99.50	4.0	4.0	-6.6
GAM Dvrsty II EUR Op	OT	OT	VGB	12/31	EUR	138.77	4.6	4.6	-5.5
GAM Dvrsty II USD Op	OT	OT	VGB	12/31	USD	210.17	4.6	4.6	-5.8
GAM DvrstyIII EUR Op	OT	OT	VGB	12/31	EUR	115.55	4.5	4.5	-5.6
GAM DvrstyIII USD Op	OT	OT	VGB	12/31	USD	121.98	4.6	4.6	-5.8
GAM Euro Eq Hdg EUR Op	EU	EQ	VGB	01/11	EUR	221.98	1.4	11.1	-3.5
GAM Euro Eq Hdg USD Op	OT	OT	VGB	01/11	USD	206.22	1.4	10.6	-1.9
GAM European Equity USD	OT	OT	VGB	01/12	USD	300.25	2.4	32.1	-11.2
GAM GAMCO	OT	EQ	VGB	01/12	USD	826.64	2.0	34.1	-7.8
GAM Gb EmMkts Hdg EUROp	OT	OT	VGB	01/11	EUR	98.89	1.1	13.4	-16.4
GAM Gb EmMkts Hdg USDOp	OT	OT	VGB	01/11	USD	104.26	1.0	13.9	-15.7
GAM Gbl Divers USD Inc.	GL	EQ	VGB	01/11	USD	260.38	4.2	25.7	-5.4
GAM Grtr China Eq Hdg Op	GL	EQ	VGB	01/11	USD	298.02	3.9	95.1	23.7
GAM Intrst Trend II	GL	BD	VGB	12/31	USD	94.13	42.5	42.5	-9.1
GAM Intrst Trend Inc	OT	OT	VGB	01/11	USD	264.08	5.0	59.6	-4.9
GAM Japan Eq Hdg EUR Op	AS	EQ	VGB	01/11	EUR	122.40	4.9	12.5	-3.3
GAM Japan Eq Hdg USD Op	OT	OT	VGB	01/11	USD	128.06	4.9	NS	-15.6
GAM Japan Eq Hdg YEN Open	AS	EQ	VGB	01/11	JPY	8822.67	5.0	12.0	-14.7
GAM Japan USD	JP	EQ	VGB	01/12	USD	1189.50	7.9	13.8	-11.4
GAM Japan YEN	JP	EQ	VGB	01/12	JPY	9426.74	6.8	17.9	-17.8
GAM Money Mkt EuroOp	EU	MM	VGB	01/12	EUR	51.14	0.0	0.2	1.6
GAM Money Mkt USD	US	MM	VGB	01/12	USD	99.99	0.1	0.0	0.8
GAM Multi-Arb EUR Op	OT	OT	VGB	12/31	EUR	111.21	-0.8	-0.8	-9.3
GAM Multi-Arb USD Op	OT	OT	VGB	12/31	USD	116.05	-0.6	-0.6	-9.6
GAM Multi-China EUR Op	OT	OT	VGB	12/31	EUR	167.97	13.1	13.1	-8.5
GAM Multi-China USD Op	OT	OT	VGB	12/31	USD	176.59	13.7	13.7	-9.2
GAM Multi-Emer Mkts GBP	OT	OT	VGB	12/31	GBP	131.51	25.7	25.7	-2.4
GAM Multi-Emer Mkts USD	OT	OT	VGB	12/31	USD	650.94	25.6	25.6	-2.7
GAM Multi-Eur EUR Op	OT	OT	VGB	12/31	EUR	268.84	7.1	7.1	-9.9
GAM Multi-Eur II EUR Op	OT	OT	VGB	12/31	EUR	138.33	7.1	7.1	-9.9
GAM Multi-Eur II USD Op	OT	OT	VGB	12/31	USD	113.08	6.6	6.6	-10.8
GAM Multi-Eur USD Op	OT	OT	VGB	12/31	USD	467.71	6.7	6.7	-10.7
GAM Multi-Nth Am EUR Special	OT	OT	VGB	12/31	EUR	134.00	12.4	12.4	-3.9
GAM Multi-Nth Am USD Special	OT	OT	VGB	12/31	USD	218.14	12.7	12.7	-4.0
GAM Multi-Pac EUR Op	GL	EQ	VGB	12/31	EUR	143.40	5.2	5.2	-4.4
GAM Multi-Pac USD Op	OT	OT	VGB	12/31	USD	165.42	5.2	5.2	-4.8
GAM Portable Dvr/S&P500	OT	OT	VGB	08/24	USD	70.11	17.7	-27.7	-22.9
GAM Selection Hdg	US	EQ	VGB	01/04	USD	2679.04	1.6	69.2	9.6
GAM Sing/Malaysia	AS	EQ	VGB	01/12	USD	2624.30	3.9	63.6	-9.8
GAM Sterling Spe Bd Inc	OT	OT	VGB	01/04	GBP	230.99	0.4	41.6	2.4
GAM Trading EUR Inc	OT	OT	VGB	12/31	EUR	325.15	6.4	6.4	6.7
GAM Trading USD Inc	OT	OT	VGB	12/31	USD	973.05	6.5	6.5	6.1
GAM Trdg II IncEUR Op	OT	OT	VGB	12/31	EUR	139.06	6.2	6.2	6.6
GAM Trdg II IncUSD Op	OT	OT	VGB	12/31	USD	315.95	6.5	6.5	6.2
GAM Trdg IV IncEUR Op	OT	OT	VGB	12/31	EUR	146.76	6.0	6.0	6.4
GAM Trdg IV IncUSD Op	OT	OT	VGB	12/31	USD	154.52	6.3	6.3	6.1
GAM Trdg V IncEUR Op	OT	OT	VGB	12/31	EUR	124.45	6.1	6.1	6.2
GAM Trdg V IncUSD Op	OT	OT	VGB	12/31	USD	129.60	6.2	6.2	6.0
GAM TrdgIII IncEUR Op	OT	OT	VGB	12/31	EUR	157.01	6.2	6.2	6.4
GAM TrdgIII IncUSD Op	OT	OT	VGB	12/31	USD	162.51	6.3	6.3	6.1
GAM USDSpecBondInc	US	BD	VGB	01/04	USD	533.53	0.7	75.5	6.4
GAM Worldwide	GL	EQ	VGB	01/12	USD	2277.29	2.3	31.7	-7.8
GAMut Investments	OT	OT	VGB	01/06	USD	7647.01	0.9	5.3	8.0

■ GAM Star Fund Plc

GAMStar-AsEqCHF Ord Ac	AS	EQ	IRL	01/12	CHF	11.14	0.9	57.9	-14.1
GAMStar-AsEqEUR Ord Ac	AS	EQ	IRL	01/12	EUR	12.08	1.4	62.1	-9.0
GAMStar-AsEqGBP Ord Ac	AS	EQ	IRL	01/12	GBP	1.61	2.7	61.2	-0.7
GAMStar-AsEqUSD Ord Ac	AS	EQ	IRL	01/12	USD	13.77	2.6	76.1	-9.6
GAMStar-AsPacEqEUR Acc	AS	EQ	IRL	01/12	EUR	106.24	5.0	21.2	-9.7
GAMStar-AsPacEqEUR Inc	AS	EQ	IRL	01/12	EUR	102.81	5.0	21.2	-9.7
GAMStar-ContEurEqEUR Ac	EU	EQ	IRL	01/12	EUR	11.14	1.3	25.2	-8.2
GAMStar-EurpEqEUR Acc	EU	EQ	IRL	01/12	EUR	185.34	1.2	23.9	-10.6
GAMStar-EurpEqEUR Inc	EU	EQ	IRL	01/12	EUR	169.36	1.2	23.9	-10.6
GAMStar-EurpEqUSD Acc	EU	EQ	IRL	01/12	USD	16.38	2.4	34.4	-11.1
GAMStar-EurpEqUSD Inc	EU	EQ	IRL	01/12	USD	14.85	2.4	34.3	-11.1
GAMStar-FrontierOppUSD Acc	GL	EQ	IRL	01/12	USD	5.54	0.9	20.0	NS
GAMStar-JpnEq EUR Acc	JP	EQ	IRL	01/12	EUR	94.40	7.3	9.7	-8.0
GAMStar-JpnEq EUR Inc	JP	EQ	IRL	01/12	EUR	94.40	7.3	9.7	-8.0
GAMStar-JpnEq JPY Acc	JP	EQ	IRL	01/12	JPY	982.80	6.7	17.2	-17.7
GAMStar-JpnEq USD Acc	JP	EQ	IRL	01/12	USD	11.99	7.8	12.5	-11.6
GAMStar-World EqUSD Acc	GL	EQ	IRL	01/12	USD	2290.11	2.3	32.7	-7.3

Manulife WEALTH MANAGEMENT 宏利財富管理

■ MANULIFE ASSET MANAGEMENT TEL:(852)2108 1110

Internet:http://www.manulife.com.hk 47/F Manulife Plaza, Causeway Bay, Hong Kong

American Growth	US	EQ	LUX	01/14	USD	15.52	0.8	30.2	-10.7
American Growth AA	US	EQ	LUX	01/14	USD	0.89	0.8	29.8	-5.8
Asian Equity	AS	EQ	LUX	01/14	USD	2.49	0.8	72.8	-8.2
Asian Equity AA	AS	EQ	LUX	01/14	USD	0.80	0.8	72.2	-8.5
Asian Sm Cap Equity AA	AS	EQ	LUX	01/14	USD	1.21	3.5	101.0	-4.5
China Value A	AS	EQ	LUX	01/14	USD	7.15	0.1	72.8	-6.3
China Value AA	AS	EQ	LUX	01/14	USD	2.25	0.1	72.3	-6.5
Dragon Growth	AS	EQ	LUX	01/14	USD	1.66	0.6	73.4	-8.8
Dragon Growth AA	OT	OT	LUX	01/14	HKD	8.06	0.6	72.9	-9.9
Emg Eastrn Europe A	EU	EQ	LUX	01/14	USD	4.94	5.8	113.1	-16.3
Emg Eastrn Europe AA	EU	EQ	LUX	01/14	USD	2.13	5.8	112.8	-16.5
European Growth	EU	EQ	LUX	01/14	USD	9.48	3.1	54.4	-14.7
European Growth AA	EU	EQ	LUX	01/14	USD	0.68	3.1	54.1	-14.9
Global Contrarain AA	GL	EQ	LUX	01/14	USD	0.93	5.3	94.1	NS
Global Property AA	OT	EQ	LUX	01/14	USD	0.68	0.5	57.4	-10.6
Global Resources AA	OT	EQ	LUX	01/14	USD	1.14	4.1	67.4	-10.7
Healthcare AA	OT	EQ	LUX	01/14	USD	0.96	0.5	18.7	NS
India Equity AA	EA	EQ	LUX	01/14	USD	1.14	3.3	95.7	-18.5
International Growth	GL	EQ	LUX	01/14	USD	3.15	2.8	31.5	-12.9
International Growth AA	GL	EQ	LUX	01/14	USD	0.73	2.7	31.2	-13.1
Japanese Growth	JP	EQ	LUX	01/14	USD	2.92	4.9	15.7	-9.3
Japanese Growth AA	JP	EQ	LUX	01/14	USD	0.76	4.9	15.4	-9.5
Latin America Equity AA	GL	EQ	LUX	01/14	USD	1.32	2.7	106.0	-2.5
Manulife GF Strategic Income Fund AA	OT	OT	NA	01/14	USD	1.02	1.5	NS	NS
MGF Asia Value Dividend Equity Fund	OT	OT	Lux	01/14	USD	1.17	1.4	NS	NS
Russia Equity AA	EE	EQ	LUX	01/14	USD	0.70	10.2	142.4	-21.0
Taiwan Equity AA	AS	EQ	LUX	01/14	USD	1.09	0.0	90.0	5.3
Turkey Equity AA	EE	EQ	LUX	01/14	USD	0.82	6.4	140.8	-9.5
U.S. Bond AA	US	BD	LUX	01/14	USD	1.12	1.4	17.6	7.6
U.S. Sm Cap Equity AA	US	EQ	LUX	01/14	USD	0.85	2.8	70.7	-9.5
U.S. Special Opportunities	OT	OT	LUX	01/14	USD	0.86	5.0	79.2	4.6
U.S. Tsy Inf-ProtSec AA	OT	BD	LUX	01/14	USD	1.14	0.6	8.3	2.7

■ PT CIPTADANA ASSET MANAGEMENT

Tel: +62 21 25574 883 Fax: +62 21 25574 893 Website: www.ciptadana.com

Indonesian Grth Fund	EA	EQ	CYM	01/06	USD	134.30	5.5	107.9	-0.5

Sensible Asset Management
A Value Partners Group company

■ SENSIBLE ASSET MANAGEMENT LIMITED

www.samfund.com.hk Tel: (852) 2868 6848 Fax: (852) 2810 9948

Asia Value Formula Fd-B	AS	EQ	CYM	01/13	USD	8.15	1.6	97.3	-4.2

SOCIETE GENERALE Asset Management

■ SG ASSET MANAGEMENT (HK) LTD

Hotline in Hong Kong 2166 5099

A company of Amundi Group

www.sgam.com

Bonds Eur Hi Yld A	OT	OT	LUX	01/12	EUR	21.32	3.6	50.2	1.7
Bonds EURO A	OT	OT	LUX	01/12	EUR	41.27	0.5	4.6	5.0
Bonds EUROPE A	OT	OT	LUX	01/12	EUR	39.26	0.4	3.2	4.3
Bonds US OppsCoreplus A	OT	OT	LUX	01/12	USD	37.16	0.7	15.2	8.1
Bonds World A	OT	OT	LUX	01/12	USD	42.64	1.5	8.2	5.7
Eq. AsiaPac Dual Strategies A	OT	OT	LUX	01/13	USD	10.55	1.2	74.2	-11.0
Eq. China A	AS	EQ	LUX	01/13	USD	23.80	-1.4	74.4	-14.8
Eq. Concentrated Euroland A	OT	OT	LUX	01/12	EUR	93.36	0.4	21.8	-17.6
Eq. ConcentratedEuropeA	EU	EQ	LUX	01/12	EUR	27.37	1.3	31.3	-15.4
Eq. Emerging Europe A	OT	OT	LUX	01/12	EUR	24.46	3.8	77.6	-24.1
Eq. Euroland A	EU	EQ	LUX	01/12	EUR	10.90	0.7	18.9	-18.5
Eq. Euroland Small Cap A	OT	OT	LUX	01/12	EUR	145.86	3.3	45.4	-6.2
Eq. EurolandCyclicIsA	EU	EQ	LUX	01/12	EUR	17.98	1.0	30.3	-12.4
Eq. EurolandFinancialA	OT	EQ	LUX	01/12	EUR	11.63	2.8	35.0	-19.2
Eq. Glbl Emg Cty A	GL	EQ	LUX	01/12	USD	9.95	2.7	73.8	-13.5
Eq. Global A	GL	EQ	LUX	01/12	USD	28.53	2.4	38.5	-11.5
Eq. Global Energy A	OT	EQ	LUX	01/12	USD	18.81	3.7	33.0	-11.4
Eq. Global Resources A	OT	OT	LUX	01/12	USD	113.87	4.3	69.1	-9.0
Eq. Gold Mines A	OT	EQ	LUX	01/12	USD	31.87	5.2	72.7	-2.9
Eq. India A	OT	OT	LUX	01/13	USD	135.23	3.4	94.6	-18.5
Eq. Japan CoreAlpha A	OT	OT	LUX	01/13	JPY	7709.48	6.3	33.7	-8.3
Eq. Latin America A	OT	OT	LUX	01/12	USD	119.31	2.6	90.2	-8.7
Eq. US Lg Cap Gr A	US	EQ	LUX	01/12	USD	15.56	2.0	45.3	-9.8
Eq. US Rel Val A	US	EQ	LUX	01/12	USD	21.12	2.5	40.0	-11.4
Eq. US Sm Cap Val A	US	EQ	LUX	01/12	USD	16.35	2.5	32.8	-15.6
Money Market EURO A	EU	MM	LUX	01/12	EUR	27.40	0.0	0.9	2.6
Money Market USD A	US	MM	LUX	01/12	USD	15.83	0.0	0.5	1.6

The National Investor

■ THE NATIONAL INVESTOR

TNI Tower | Zayed 1st Street Khalidia| Web:www.tni.ae

TNI Mena Real Estate Fund	OT	OT	BMU	01/07	USD	979.79	1.9	4.2	-27.0
TNI MENA Special Sits Fund	OT	OT	BMU	12/31	USD	1079.31	11.2	11.2	NS
TNI UAE Blue Chip Fund	OT	OT	ARE	01/07	AED	5.51	3.3	20.1	-31.8

Value Partners
Investing through discipline

■ WEBSITE: WWW.VALUEPARTNERS.COM.HK, TEL: (852) 2880 9263, FAX: (852) 2564 8487

*formerly known as China ABH Shares Fund

Intel-Chin MainInd Foc	AS	EQ	CYM	12/31	USD	29.84	86.0	86.0	1.4
Intel-China Converg*	AS	EQ	CYM	12/31	USD	114.03	87.1	87.1	1.3
VP Classic - A	AS	EQ	CYM	01/13	USD	190.06	1.9	81.6	-1.3
VP CLassic - B	AS	EQ	CYM	01/13	USD	88.57	1.9	80.7	-1.8
VP High Dividend Stk	AS	EQ	CYM	01/11	USD	47.10	3.7	81.6	1.9

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■ YUKI INTERNATIONAL LIMITED

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■ YMR-N Series

YMR-N Growth Fund	OT	OT	IRL	01/14	JPY	9795.00	1.6	20.8	-20.9
YMR-N Small Cap Fund	OT	OT	IRL	01/14	JPY	7065.00	-0.1	16.9	-20.6

■ Yuki 77 Series

Yuki 77 General	JP	EQ	IRL	01/14	JPY	6383.00	3.8	13.9	-22.1
Yuki 77 Growth	JP	EQ	IRL	01/14	JPY	5822.00	3.2	8.2	-27.7

■ Yuki Chugoku Series

Yuki Chugoku Jpn Gen	JP	EQ	IRL	01/14	JPY	7124.00	4.4	18.8	-18.6
Yuki Chugoku JpnLowP	JP	EQ	IRL	01/14	JPY	7963.00	5.6	2.9	-18.7

■ Yuki Hokuyo Japan Series

Yuki Hokuyo Jpn Gen	JP	EQ	IRL	01/14	JPY	4895.00	4.8	14.0	-22.1
Yuki Hokuyo Jpn Inc	JP	EQ	IRL	01/14	JPY	5520.00	5.2	12.1	-16.4
Yuki Hokuyo Jpn Sm Cap	JP	EQ	IRL	01/14	JPY	5138.00	0.6	17.0	-18.9

■ Yuki Mizuho Series

Yuki Mizuho Gen Jpn III	OT	OT	IRL	01/14	JPY	4594.00	3.9	15.4	-26.1
Yuki Mizuho Jpn Dyn Gro	OT	OT	IRL	01/14	JPY	4849.00	3.9	14.7	-25.9
Yuki Mizuho Jpn Exc 100	OT	OT	IRL	01/14	JPY	7233.00	3.8	25.4	-20.4
Yuki Mizuho Jpn Gen	OT	OT	IRL	01/14	JPY	8977.00	4.2	19.7	-19.8
Yuki Mizuho Jpn Gro	OT	OT	IRL	01/14	JPY	6581.00	3.5	13.6	-23.5
Yuki Mizuho Jpn Inc	OT	OT	IRL	01/14	JPY	7924.00	3.8	4.8	-19.7
Yuki Mizuho Jpn Lg Cap	OT	OT	IRL	01/14	JPY	5458.00	5.2	17.0	-20.3
Yuki Mizuho Jpn LowP	OT	OT	IRL	01/14	JPY	12004.00	3.8	14.7	-15.5
Yuki Mizuho Jpn PGth	OT	OT	IRL	01/14	JPY	8162.00	2.5	15.1	-26.1
Yuki Mizuho Jpn SmCp	OT	OT	IRL	01/14	JPY	7142.00	0.1	24.0	-20.5
Yuki Mizuho Jpn Val Sel	OT	OT	IRL	01/14	JPY	5921.00	4.8	20.2	-17.6
Yuki Mizuho Jpn YoungCo	OT	OT	IRL	01/14	JPY	2700.00	-1.0	16.6	-28.9

■ Yuki Shizuoka Japan Series

Yuki Shizuoka General Japan	JP	EQ	IRL	01/14	JPY	5664.00	4.5	19.0	-19.2

For information about listing your funds, please contact: Carson Wong tel: +852 2831-6481; email: carson.wong@dowjones.com

GLOBAL MARKETS LINEUP

Commodities

Prices of futures contracts with the most open interest

EXCHANGE LEGEND: CBOT: Chicago Board of Trade; **CME:** Chicago Mercantile Exchange; **NYBOT:** New York Board of Trade; **MDEX:** Bursa Malaysia Derivatives Berhad; **LIFFE:** London International Financial Futures Exchange; **LME:** London Mercantile Exchange; **NYMEX:** New York Mercantile Exchange; **ICE:** IntercontinentalExchange

Commodity	Exchange	Last price	ONE-DAY CHANGE Net	ONE-DAY CHANGE Percentage	Contract high	Contract low
Corn (cents/bu.)	CBOT	378.75	-5.25	-1.37%	712.25	315.50
Soybeans (cents/bu.)	CBOT	984.00	-8.50	-0.86	1,560.00	805.00
Wheat (cents/bu.)	CBOT	528.75	-8.25	-1.54	1,029.25	459.00
Live cattle (cents/lb.)	CME	89.700	0.475	0.53%	95.175	85.050
Cocoa ($/ton)	ICE-US	3,394	5	0.15	3,510	1,994
Coffee (cents/lb.)	ICE-US	144.65	-0.50	-0.34	188.65	115.00
Sugar (cents/lb.)	ICE-US	27.89	-0.15	-0.53	28.95	11.91
Cotton (cents/lb.)	ICE-US	72.98	-0.45	-0.61	84.00	49.67
Crude palm oil (ringgit/ton)	MDEX	2,530.00	20	0.80	3,580	1,487
Cocoa (pounds/ton)	LIFFE	2,298	10	0.44	2,337	1,310
Robusta coffee ($/ton)	LIFFE	1,387	-11	-0.79	1,710	1,300
Copper (cents/lb.)	COMEX	343.95	3.95	1.16	365.00	135.50
Gold ($/troy oz.)	COMEX	1139.80	3.40	0.30	1,227.50	762.30
Silver (cents/troy oz.)	COMEX	1852.00	-3.00	-0.16	2,011.50	1,045.00
Aluminum ($/ton)	LME	2,326.00	44.00	1.93	2,356.50	1,288.00
Tin ($/ton)	LME	18,250.00	550.00	3.11	18,250.00	9,945.00
Copper ($/ton)	LME	7,485.50	75.50	1.02	7,695.00	3,085.00
Lead ($/ton)	LME	2,474.00	19.00	0.77	2,615.00	995.00
Zinc ($/ton)	LME	2,516.00	8.00	0.32	2,659.00	1,086.00
Nickel ($/ton)	LME	18,350	575	3.23	21,150	9,475
Crude oil ($/bbl.)	NYMEX	79.24	-0.41	-0.51	141.30	48.78
Heating oil ($/gal.)	NYMEX	2.0845	-0.0203	-0.96	3.5280	1.3800
RBOB gasoline ($/gal.)	NYMEX	2.0910	0.0308	1.50	2.1927	1.2304
Natural gas ($/mmBtu)	NYMEX	5.542	-0.162	-2.84	12.590	4.550
Brent crude ($/bbl.)	ICE-EU	78.11	-0.71	-0.90	98.10	49.10
Gas oil ($/ton)	ICE-EU	633.00	-3.00	-0.47	875.00	450.50

Source: Thomson Reuters; WSJ Market Data Group

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Currencies

London close on Jan. 14

AMERICAS	Per euro	In euros	Per U.S. dollar	In U.S. dollars
Argentina peso-a	5.4952	0.1820	3.7970	0.2634
Brazil real	2.5620	0.3903	1.7703	0.5649
Canada dollar	1.4861	0.6729	1.0269	0.9739
1-mo. forward	1.4861	0.6729	1.0269	0.9738
3-mos. forward	1.4861	0.6729	1.0269	0.9738
6-mos. forward	1.4864	0.6728	1.0271	0.9736
Chile peso	713.78	0.001401	493.20	0.002028
Colombia peso	2862.30	0.0003494	1977.75	0.0005056
Ecuador US dollar-f	1.4472	0.6910	1	1
Mexico peso-a	18.4748	0.0541	12.7655	0.0783
Peru sol	4.1210	0.2427	2.8475	0.3512
Uruguay peso-e	28.366	0.0353	19.600	0.0510
U.S. dollar	1.4472	0.6910	1	1
Venezuela bolivar	6.22	0.160890	4.29	0.232848
ASIA-PACIFIC				
Australia dollar	1.5562	0.6426	1.0753	0.9300
China yuan	9.8807	0.1012	6.8272	0.1465
Hong Kong dollar	11.2272	0.0891	7.7576	0.1289
India rupee	65.9367	0.0152	45.5600	0.0219
Indonesia rupiah	13264	0.0000754	9165	0.0001091
Japan yen	131.87	0.007583	91.12	0.010975
1-mo. forward	131.85	0.007585	91.10	0.010977
3-mos. forward	131.81	0.007587	91.07	0.010980
6-mos. forward	131.71	0.007592	91.01	0.010988
Malaysia ringgit-c	4.8331	0.2069	3.3395	0.2994
New Zealand dollar	1.9497	0.5129	1.3472	0.7423
Pakistan rupee	122.437	0.0082	84.600	0.0118
Philippines peso	66.183	0.0151	45.730	0.0219
Singapore dollar	2.0099	0.4975	1.3888	0.7201
South Korea won	1626.13	0.0006150	1123.60	0.0008900
Taiwan dollar	45.947	0.02176	31.748	0.03150
Thailand baht	47.578	0.02102	32.875	0.03042

EUROPE	Per euro	In euros	Per U.S. dollar	In U.S. dollars
Euro zone euro	1	1	0.6910	1.4472
1-mo. forward	1.0001	0.9999	0.6910	1.4472
3-mos. forward	1.0002	0.9998	0.6911	1.4469
6-mos. forward	1.0006	0.9994	0.6914	1.4464
Czech Rep. koruna-b	25.974	0.0385	17.947	0.0557
Denmark krone	7.4402	0.1344	5.1409	0.1945
Hungary forint	267.03	0.003745	184.51	0.005420
Norway krone	8.1534	0.1226	5.6337	0.1775
Poland zloty	4.0509	0.2469	2.7991	0.3573
Russia ruble-d	42.597	0.02348	29.433	0.03398
Sweden krona	10.1903	0.0981	7.0412	0.1420
Switzerland franc	1.4789	0.6762	1.0219	0.9786
1-mo. forward	1.4786	0.6763	1.0217	0.9788
3-mos. forward	1.4780	0.6766	1.0213	0.9792
6-mos. forward	1.4771	0.6770	1.0206	0.9798
Turkey lira	2.1135	0.4732	1.4604	0.6848
U.K. pound	0.8874	1.1268	0.6132	1.6308
1-mo. forward	0.8876	1.1266	0.6133	1.6305
3-mos. forward	0.8880	1.1262	0.6136	1.6298
6-mos. forward	0.8885	1.1255	0.6139	1.6289
MIDDLE EAST/AFRICA				
Bahrain dinar	0.5456	1.8329	0.3770	2.6526
Egypt pound-a	7.8513	0.1274	5.4250	0.1843
Israel shekel	5.3309	0.1876	3.6835	0.2715
Jordan dinar	1.0254	0.9753	0.7085	1.4114
Kuwait dinar	0.4142	2.4140	0.2862	3.4937
Lebanon pound	2181.73	0.0004584	1507.50	0.0006634
Saudi Arabia riyal	5.4273	0.1843	3.7501	0.2667
South Africa rand	10.7531	0.0930	7.4300	0.1346
United Arab dirham	5.3157	0.1881	3.6730	0.2723
SDR -f	0.9197	1.0873	0.6355	1.5736

a-floating rate b-commercial rate c-government rate c-commercial rate d-Russian Central Bank rate f-Special Drawing Rights from the International Monetary Fund ; based on exchange rates for U.S., British and Japanese currencies.
Note: Based on trading among banks in amounts of $1 million and more, as quoted by Thomson Reuters.

Major stock market indexes

Stock indexes from around the world, grouped by region. Shown in local-currency terms.

Price-to-earnings ratio*	Region/Country	Index	PREVIOUS SESSION Close	PREVIOUS SESSION Net change	PREVIOUS SESSION Percentage change	PERFORMANCE Yr.-to-date	PERFORMANCE 52-wk.
53	**ASIA-PACIFIC**	DJ Asia-Pacific	128.98	1.48	1.16%	4.8%	48.2%
...	Australia	SPX/ASX 200	4898.04	29.91	0.61	0.6	38.8
...	China	CBN 600	28624.67	461.15	1.64	-1.5	78.7
20	Hong Kong	Hang Seng	21716.95	-31.65	-0.15%	-0.7	64.0
20	India	Sensex	17584.87	75.07	0.43	0.7	94.4
...	Indonesia	Jakarta Composite	2645.181	12.309	0.47	4.4	96.9
...	Japan	Nikkei Stock Average	10907.68	172.65	1.61	3.4	35.9
...		Topix	959.01	14.99	1.59	5.7	20.5
...	Malaysia	Kuala Lumpur Composite	1294.71	5.20	0.40	1.7	44.3
...	New Zealand	NZSX-50	3278.333	2.138	0.07	1.5	19.5
9	Pakistan	KSE 100	9802.45	17.60	0.18	4.4	69.6
15	Philippines	Manila Composite	3121.91	25.21	0.81	2.3	59.7
...	Singapore	Straits Times	2909.52	21.14	0.73	0.4	70.7
11	South Korea	Kospi	1685.77	14.36	0.86	0.2	51.7
20	Taiwan	Weighted	8289.98	93.42	1.14	1.2	91.9
10	Thailand	SET	749.42	2.68	0.36	2.0	75.8
50	**EUROPE**	DJ Stoxx 600	258.80	1.84	0.72	2.2	35.4
22		DJ Stoxx 50	2619.61	17.44	0.67	1.6	31.8
62	**Euro Zone**	DJ Euro Stoxx	279.33	1.25	0.45%	1.7%	34.0%
20		DJ Euro Stoxx 50	2989.05	10.64	0.36	0.8	32.4
19	Denmark	OMX Copenhagen	338.35	4.81	1.44	7.2	43.9
21	Finland	OMX Helsinki	6618.91	53.39	0.81	2.5	27.5
20	France	CAC-40	4015.77	14.91	0.37	2.0	34.0
21	Germany	DAX	5988.88	25.74	0.43	0.5	38.1
16	Italy	FTSE MIB	23805.99	147.59	0.62	2.4	29.4
...	Netherlands	AEX	340.61	2.43	0.72	1.6	39.8
...	Russia	RTSI	1561.91	23.48	1.53	9.5	174.4
11	Spain	IBEX 35	11999.8	41.5	0.35	0.5	39.4
14	Switzerland	SMI	6627.42	72.87	1.11	1.2	23.1
...	Turkey	ISE National 100	54740.60	113.41	0.21	3.6	118.3
15	U.K.	FTSE 100	5498.20	24.72	0.45	1.6	33.4
22	**AMERICAS**	DJ Americas	304.90	0.05	0.02	2.8	44.6
...	Brazil	Bovespa	70295.56	-89.91	-0.13%	2.5	79.6
...	Argentina	Merval	2355.31	17.24	0.74	1.5	120.5
21	Mexico	IPC	32655.25	-180.83	-0.55	1.7	59.8

*P/E ratios use trailing 12-months, as-reported earnings
European and Americas index data are as of 12:00 p.m. ET.

Sources: Thomson Reuters; WSJ Market Data Group

Reuters Group PLC is the primary data provider for several statistical tables in The Wall Street Journal, including foreign stock quotations, futures and futures options prices, and foreign exchange tables. Reuters real-time data feeds are used to calculate various Dow Jones Indexes.

Dow Jones and Dow Jones Stoxx Indexes

Dividend yield*	Price-to-earnings ratio*	Dows Jones Index	Last	Net change	PERFORMANCE Daily	PERFORMANCE Year-to-date	PERFORMANCE 52-wk.	PERFORMANCE Three-yr., annualized
2.10%	22	**DJ Global Index**	234.46	0.90	0.90%	46.8%	0.4%	-5.5%
		Global DOW	2043.19	9.11	9.11	45.5	0.5	-1.5
2.28		**Asia/Pacific 600**	121.37	1.63	1.63	36.9	1.4	-5.8
1.68	16	**Emerging Markets**	287.90	0.96	0.96	95.3	0.3	5.3
2.08	53	**Asia/Pacific**	128.98	1.48	1.48	48.2	1.2	-3.7
2.34	18	**Asia/Pacific ex-Japan**	324.50	2.96	2.96	90.2	0.9	2.2
2.48	24	**Southeast Asia**	165.79	1.93	1.93	93.5	1.2	3.9
0.84	29	**CBN China 600** -c	28624.67	461.15	461.15	78.7	1.6	19.8
0.86	32	**Shanghai**	383.87	6.44	6.44	78.2	1.7	20.2
0.58	46	**Shenzhen**	419.35	8.17	8.17	103.9	2.0	26.8
2.21	19	**China Offshore 50**	4019.29	-15.34	-15.34	68.3	-0.4	7.8
7.45	10	**Australia LPT** -c, d	1157.56	-0.60	-0.60	13.3	-0.1	-21.4

Dividend yield*	Price-to-earnings ratio*	Dows Jones Index	Last	Net change	PERFORMANCE Daily	PERFORMANCE Year-to-date	PERFORMANCE 52-wk.	PERFORMANCE Three-yr., annualized
2.01%	16	**Islamic Market**	2038.12	8.91	8.91%	46.0%	0.4%	-0.6%
2.32	16	**Islamic Market 100**	2179.16	9.89	9.89	32.8	0.5	-1.7
9.45	16	**Bahrain**	122.90	-0.45	-0.45	-16.8	-0.4	-13.2
2.92	37	**Kuwait**	192.76	-0.85	-0.85	-0.7	-0.4	-17.1
2.51	21	**Sustainability**	1043.09	5.32	5.32	47.9	0.5	-6.5
2.72	50	**Stoxx 600 -p**	278.42	0.01	0.01	46.8	...	-8.1
4.74	17	**Stoxx Select Div 30 -p**	1853.50	-0.30	-0.30	45.1	...	-20.2
3.98	23	**Euro Stoxx Sel Div 30 -p**	2211.03	4.84	4.84	51.5	0.2	-15.5
1.69	32	**DJ U.S. TSM**	11823.62	4.38	4.38	38.5	...	-6.4
4.12	15	**U.S. Select Dividend -d**	663.81	-0.99	-0.99	25.9	-0.1	-9.4
4.69		**U.S. REIT**	145.86	-0.90	-0.90	38.9	-0.6	-18.7
		DJ-UBS Commodity -p	139.99	0.82	0.82	25.3	0.6	-4.3

*Fundamentals are based on data in U.S. dollar. Footnotes: c-in local currency. d-dividends reinvested. p-previous day. Note: All data as of 11:30 a.m. ET.

Source: DowJones Indexes

Cross rates

U.S.-dollar and euro foreign-exchange rates in global trading

	US$	A$	£	C$	YUAN	EURO	HK$	RUPEE	RUPIAH	YEN	NZ$	WON	RINGGIT	PH. PESO	S$	S FRANC	TW$	BAHT
U.S.		1.075	0.613	1.027	6.827	0.691	7.758	45.560	9165.06	91.115	1.347	1123.60	3.339	45.730	1.389	1.022	31.748	32.875
Australia	0.930		0.570	0.955	6.349	0.643	7.215	42.371	8523.51	84.737	1.253	1044.94	3.106	42.529	1.292	0.950	29.525	30.574
Britain	1.631	1.754		1.675	11.134	1.127	12.651	74.299	14946.38	148.590	2.197	1832.36	5.446	74.576	2.265	1.666	51.774	53.613
Canada	0.974	1.047	0.597		6.649	0.673	7.555	44.369	8925.42	88.733	1.312	1094.22	3.252	44.534	1.352	0.995	30.917	32.015
China	0.1465	0.157	0.090	0.150		0.101	1.136	6.673	1342.43	13.346	0.197	164.58	0.489	6.698	0.203	0.150	4.650	4.815
Euro	1.447	1.556	0.887	1.486	9.881		11.227	65.937	13264.14	131.866	1.950	1626.12	4.833	66.183	2.010	1.479	45.947	47.578
Hong Kong	0.129	0.139	0.079	0.132	0.880	0.089		5.873	1181.43	11.745	0.174	144.84	0.430	5.895	0.179	0.132	4.092	4.238
India	0.0219	0.0236	0.0135	0.0225	0.1499	0.0152	0.1703		201.16	1.9999	0.0296	24.66	0.0733	1.0037	0.0305	0.0224	0.6968	0.7216
Indonesia	0.0001	0.0001	0.0001	0.0001	0.0007	0.0001	0.0008	0.0050		0.0099	0.0001	0.12	0.0004	0.0050	0.0002	0.0001	0.0035	0.0036
Japan	0.011	0.012	0.007	0.011	0.075	0.008	0.085	0.500	100.59		0.015	12.33	0.037	0.502	0.015	0.011	0.348	0.361
New Zealand	0.742	0.798	0.455	0.762	5.068	0.513	5.758	33.819	6803.23	67.635		834.04	2.479	33.945	1.031	0.759	23.566	24.403
South Korea	0.0009	0.0010	0.0005	0.0009	0.0061	0.0006	0.0069	0.0405	8.16	0.0811	0.0012		0.0030	0.0407	0.0012	0.0009	0.0283	0.0293
Malaysia	0.299	0.322	0.184	0.307	2.044	0.207	2.323	13.643	2744.44	27.284	0.403	336.46		13.694	0.416	0.306	9.507	9.844
Philippines	0.022	0.024	0.013	0.022	0.149	0.015	0.170	0.996	200.42	1.992	0.029	24.57	0.073		0.030	0.022	0.694	0.719
Singapore	0.720	0.774	0.442	0.739	4.916	0.498	5.586	32.806	6599.51	65.609	0.970	809.07	2.405	32.929		0.736	22.860	23.672
Switzerland	0.979	1.052	0.600	1.005	6.681	0.676	7.592	44.586	8969.09	89.167	1.318	1099.57	3.268	44.752	1.359		31.069	32.172
Taiwan	0.031	0.034	0.019	0.032	0.215	0.022	0.244	1.435	288.69	2.870	0.042	35.39	0.105	1.440	0.044	0.032		1.036
Thailand	0.030	0.033	0.019	0.031	0.208	0.021	0.236	1.386	278.79	2.772	0.041	34.18	0.102	1.391	0.042	0.031	0.966	

Source: Thomson Reuters via WSJ Market Data Group

MSCI indexes

Developed and emerging-market regional and country indexes from MSCI Barra as of January. 14, 2010

Dividend yield	Price-to-earnings ratio	Morgan Stanley Index	Last	LOCAL-CURRENCY PERFORMANCE Daily	YTD	52-wk.
2.40%	27	**ALL COUNTRY (AC) WORLD***	307.71	0.05%	**35.1%**	35.1%
2.40	28	**World (Developed Markets)**	1,201.61	0.19	**30.6**	30.6
1.80	117	**World Small Cap**	197.87	0.59	**47.4**	47.4
2.50	23	**Kokusai (World ex-Japan)**	1,188.36	0.38	**33.2**	33.2
2.90	28	**EAFE**	1,628.13	-0.49	**31.6**	31.6
2.00	20	**Emerging Markets (EM)**	1,012.10	-0.89	**78.5**	78.5
2.40	24	**AC ASIA PACIFIC EX-JAPAN**	423.32	-1.47	**71.1**	71.1
2.00	24	**AC Far East ex-Japan**	454.56	-1.99	**66.7**	66.7
1.70	-35	**Japan**	591.63	-1.12	**11.6**	11.6
1.90	21	**China**	64.77	-2.84	**58.8**	58.8
0.80	40	**China A (China Domestic)**	3,262.93	-2.83	**88.1**	88.1
2.60	24	**Hong Kong**	10,236.82	-2.53	**56.2**	56.2
0.90	21	**India**	715.10	0.63	**93.7**	93.7
1.00	17	**Korea**	474.51	-1.66	**54.6**	54.6
2.40	20	**Malaysia**	476.72	-0.33	**48.4**	48.4
2.90	18	**Singapore**	1,611.10	-0.94	**61.6**	61.6
2.50	248	**Taiwan**	295.55	-1.55	**70.5**	70.5
2.90	19	**Thailand**	307.33	0.17	**66.0**	66.0
3.70	26	**Australia**	1,000.55	-0.65	**30.8**	30.8
5.20	16	**New Zealand**	89.09	-0.60	**17.3**	17.3
1.80	33	**US BROAD MARKET**	1,272.40	0.90	**29.5**	29.5
3.20	18	**EUROPE**	89.24	0.19	**28.5**	28.5

*Twenty-three developed and 26 emerging markets

Source: MSCI Barra

Major players & benchmarks

At right, a look at the Asia Titans, the biggest and best known companies in Asia. Below, some of the Dow Jones Titans indexes of biggest and most liquid stocks in individual countries and regions

Giants around the world

In U.S.-dollar terms.

Dow Jones Country Titans

	INDEX PERFORMANCE		
	Previous session	Year-to-date	52-week
Japan	1.80%	**6.3%**	22.9%
Russia	1.48	**4.5**	129.4
Sweden	0.68	**3.5**	66.1
Turkey	0.53	**3.1**	112.3
Switzerland	1.05	**2.6**	34.1
Netherlands	0.58	**2.3**	44.3
Italy	0.49	**2.2**	31.6
France	0.23	**1.8**	34.9
U.K.	0.42	**1.7**	33.4
Spain	0.04	**1.2**	25.7
Australia	0.77	**0.4**	37.2
Germany	0.32	**0.4**	31.5
South Africa	-0.19	**0.4**	30.0
Brazil	-0.21	**0.1**	106.7
Canada	-0.09	**unch.**	30.1
Singapore	0.65	**-0.2%**	71.3
South Korea	0.87	**-0.6**	53.2
Hong Kong	-0.51	**-1.4**	59.2
China 88	1.06	**-4.6**	65.0

Dow Jones Regional Sector Titans

Ind Gds Svcs	0.45%	**6.0%**	47.9%
Auto Parts	1.24	**5.8**	71.2
EU Enlarged†-p	0.43	**5.4**	46.8
Asian 50	1.51	**5.2**	47.5
Nordic 30 -p	0.49	**2.9**	48.4
Global 50	0.26	**2.2**	34.4
Arab 50	-0.08	**2.2**	18.7
Stoxx 50 -p	-0.05	**0.7**	29.4
Euro Stoxx 50 -p	0.05	**0.5**	29.6
Tiger 50*	0.62	**0.4**	73.8

*Asia excluding Japan †15 companies from the new EU countries; Cyprus, CzechRepublic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovakia and Slovenia.

Source: Dow Jones Indexes

Dow Jones Asia Titans: Thursday's best and worst...

Company	Country	Industry	Market value, in billions of US$	Previous close, in local currency	STOCK PERFORMANCE Previous session	52-week	Three-year
Panasonic	Japan	Consumer Electronics	$35.1	1,549	**6.10%**	40.1%	-36.0%
Mizuho Financial Grp	Japan	Banks	28.6	186.00	**5.68**	-22.5	-79.2
Mitsubishi	Japan	Industrial Suppliers	44.8	2,494	**4.35**	105.3	12.9
Mitsui	Japan	Industrial Suppliers	29.0	1,463	**4.28**	67.2	-16.6
Samsung Elec	South Korea	Semiconductors	108.7	827,000	**3.76**	80.0	39.0
Shinhan Financial Grp	South Korea	Banks	$18.6	44,000	**-1.79%**	51.8	-8.3
Indl Comm Bk China	Hong Kong	Banks	62.5	5.84	**-1.52**	75.9	26.7
Sun Hung Kai Prop	Hong Kong	Real Estate Hldg Dev	36.9	111.60	**-1.24**	74.4	10.9
PetroChina	Hong Kong	Integrated Oil Gas	26.2	9.63	**-1.23**	54.8	0.5
China Constr Bk	Hong Kong	Banks	177.0	6.11	**-0.97**	62.1	27.6

...And the rest of Asia's blue chips

Company/Country (Industry)	Market value, in billions (U.S)	Latest, in local currency	STOCK PERFORMANCE Latest	52-week	Three-year
Sumitomo Mitsui Finl Japan (Banks)	32.0	2,898	**3.32%**	-19.3%	-76.8%
Hon Hai Precision Ind Taiwan (Electrical Components Equipment)	40.2	149.50	**2.75**	179.6	-5.9
Shin-Etsu Chml Japan (Specialty Chemicals)	25.0	5,370	**2.68**	32.6	-32.7
China Mobile (HK) Hong Kong (Mobile Telecommunications)	203.5	79.40	**2.65**	12.8	12.5
RioZim Ltd Australia (General Mining)	44.7	79.15	**2.63**	168.9	39.5
Sony Japan (Consumer Electronics)	33.6	3,075	**2.57**	55.2	-45.4
Mitsubishi UFJ Finl Japan (Banks)	74.4	489.00	**2.09**	-5.2	-68.0
Toyota Motor Japan (Automobiles)	142.6	4,135	**1.97**	45.6	-48.2
Tokyo Elec Power Japan (Conventional Electricity)	36.7	2,484	**1.80**	-8.7	-35.5
BHP Billiton Australia (General Mining)	136.6	43.78	**1.53**	51.5	77.0
Nippon T&T Japan (Fixed Line Telecommunications)	57.7	3,985	**1.53**	-9.0	-34.6
KDDI Japan (Mobile Telecommunications)	25.8	533,000	**1.52**	-1.3	-33.9
Commonwlth Bk of Aus Australia (Banks)	80.2	56.79	**1.39**	108.0	15.1
Honda Motor Japan (Automobiles)	67.0	3,350	**1.36**	79.9	-29.3
Westpac Bking Australia (Banks)	68.7	25.38	**1.12**	57.1	5.4
NTT DoCoMo Japan (Mobile Telecommunications)	62.6	136,900	**1.03**	-10.8	-27.2
Takeda Pharm Japan (Pharmaceuticals)	34.3	3,970	**1.02**	-7.2	-50.5
National Australia Bk Australia (Banks)	52.7	27.05	**0.86**	38.0	-32.8
Woolworths Australia (Food Retailers Wholesalers)	32.2	28.13	**0.79**	7.1	22.8
Tokio Marine Hldgs Japan (Property Casualty Insurance)	23.2	2,695	**0.79**	25.4	-40.4

Company/Country (Industry)	Market value, in billions (U.S)	Latest, in local currency	STOCK PERFORMANCE Latest	52-week	Three-year
Taiwan Smcndtr Mfg Taiwan (Semiconductors)	51.5	63.20	**0.64%**	54.9%	-9.9%
East Japan Railway Japan (Travel Tourism)	26.2	6,050	**0.50**	-7.5	-29.7
Westfield Grp Australia (Retail REITs)	27.0	12.56	**0.48**	2.2	-39.7
Aus NZ Bk Australia (Banks)	52.2	22.40	**0.45**	53.7	-20.3
Kansai Elec Power Japan (Conventional Electricity)	22.4	2,139	**0.42**	-7.0	-32.5
Nissan Motor Japan (Automobiles)	35.8	803.00	**0.38**	155.7	-45.2
QBE Ins Grp Australia (Reinsurance)	23.4	24.57	**0.29**	-3.7	-17.2
Canon Japan (Electronic Office Equipment)	52.1	3,855	**0.26**	39.2	-40.6
Nippon Steel Japan (Iron Steel)	26.3	382.00	**...**	37.9	-41.8
Nintendo Japan (Toys)	36.1	25,740	**-0.04**	-22.2	-20.2
Hutchison Whampoa Hong Kong (Diversified Industrials)	31.9	58.05	**-0.09**	54.8	-28.1
Seven I Hldgs Japan (Broadline Retailers)	19.9	2,010	**-0.10**	-20.2	-46.7
JFE Hldgs Japan (Iron Steel)	20.7	3,570	**-0.28**	55.6	-40.1
Woodside Petroleum Australia (Exploration Production)	32.3	48.42	**-0.33**	42.2	32.3
Japan Tobacco Japan (Tobacco)	34.8	331,000	**-0.45**	19.1	-42.4
Cheung Kong Hong Kong (Real Estate Holding Development)	29.4	98.30	**-0.51**	39.9	-5.5
KB Fncl Group South Korea (Banks)	19.7	57,400	**-0.52**	67.7	-21.4
POSCO South Korea (Iron Steel)	40.0	592,000	**-0.67**	64.9	93.5
China Life Ins Hong Kong (Life Insurance)	35.4	36.90	**-0.67**	67.7	45.0
CNOOC Hong Kong (Exploration Production)	71.5	12.42	**-0.80**	84.0	86.2

Sources: Dow Jones Indexes; WSJ Market Data Group

Tracking credit markets & dealmakers

— NOTICE TO READERS —
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Hedge funds

Dow Jones Hedge Benchmark	TOTAL RETURN for rolling periods, net of fees* One week	One month	One quarter	Year to date	One year
Merger Arbitrage	0.08%	0.59%	1.4%	-0.1%	7.1%
Event Driven	0.51	1.51	3.6	0.9	15.6
Equity Long/Short	0.31	3.14	2.0	1.5	5.9

*Estimates as of 01/12/10, after fees; Source: www.djhedgefundindexes.com

Credit derivatives

Spreads on credit derivatives are one way the market rates creditworthiness. Regions that are treading in rough waters can see spreads swing toward the maximum—and vice versa. Indexes below are for five-year swaps.

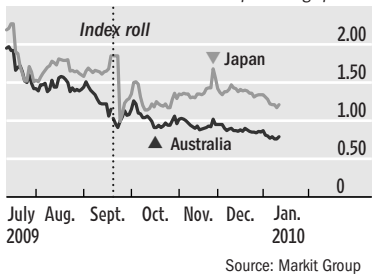
Markit iTraxx Indexes

Index: series/version	Mid-spread, in pct. pts.	Mid-price	Coupon	SPREAD RANGE, in pct. pts. since most recent roll Maximum	Minimum	Average
Europe: 12/1	0.70	101.37%	0.01%	1.00	0.65	0.83
Eur. High Volatility: 12/1	0.98	100.07	0.01	1.76	0.92	1.33
Europe Crossover: 12/1	4.11	103.58	0.05	6.15	3.79	5.07
Asia ex-Japan IG: 12/1	0.90	100.46	0.01	1.29	0.87	1.06
Japan: 12/1	1.21	98.99	0.01	1.68	0.99	1.32

Note: Data as of January 13

Spreads

Spreads on five-year swaps for corporate debt; based on Markit iTraxx indexes.



Source: Markit Group

Credit-default swaps: Asian companies

At its most basic, the pricing of credit-default swaps measures how much a buyer has to pay to purchase-and how much a seller demands to sell-protection from default on an issuer's debt. The snapshot below gives a sense which way the market was moving yesterday.

Showing the biggest improvement...

	Yesterday	CHANGE, in basis points Yesterday	Five-day	28-day
Promise	550	**-76**	-189	-425
Sanyo Shinpan Fin	550	**-71**	-193	-425
Kawasaki Heavy Inds	134	**-6**	-9	-26
Mitsubishi Heavy Inds	72	**-6**	-13	-18
Orix	224	**-5**	-27	-131
Bridgestone	40	**-4**	-5	-7
Nippon Paper Inds	84	**-2**	-6	-26
Swire Pac	65	**-2**	-5	-11
Itochu	118	**-2**	-22	-42
Samsung Electrs	56	**-2**	-6	-9

And the most deterioration

	Yesterday	CHANGE, in basis points Yesterday	Five-day	28-day
Rep Korea	79	**3**	-4	-5
Mitsui Co	58	**3**	-16	-21
Mitsui Chems	117	**3**	-2	-5
Sumitomo	77	**3**	-11	-24
Woori Bk	107	**4**	-3	-9
Expt Import Bk Korea	87	**4**	-3	-7
Sumitomo Mitsui Bkg	78	**4**	2	4
Malayan Bkg	88	**4**	1	-1
Shin Han Bk	101	**9**	...	-4
Taisei	341	**14**	-27	-59

Source: Markit Group

Behind Asia's deals: Bank revenue rankings, Asia (ex Japan)

Behind every IPO, bond offering, merger deal or syndicated loan is one or more investment banks. Here are investment banks ranked by year-to-date revenues from recent deals.

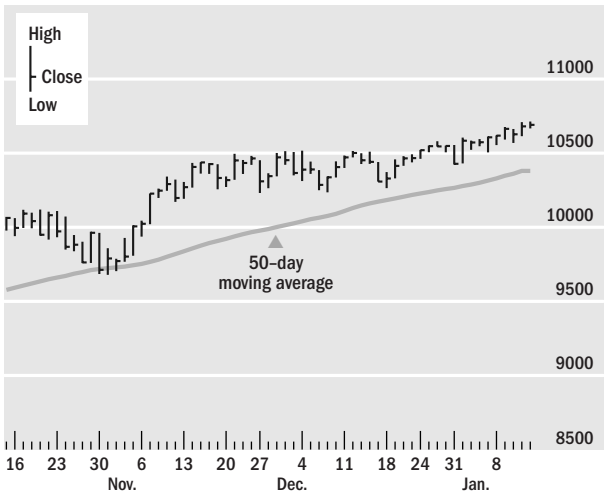
	Revenue, in millions	Market share	PERCENTAGE OF TOTAL REVENUE Equity capital markets	Debt capital markets	Mergers & acquisitions	Loans
UBS	$346	6.2%	69%	14%	17%	...
Morgan Stanley	278	5.0	75	7	17	...
Credit Suisse	260	4.7	70	9	20	1%
JPMorgan	238	4.3	80	10	10	1
China International Capital Corp Ltd	233	4.2	80	13	7	...
CITIC Securities	223	4.0	79	16	4	...
Goldman Sachs	212	3.8	74	6	19	...
Citi	182	3.3	67	16	14	3
Deutsche Bank	180	3.3	60	21	18	2

Source: Dealogic

SCANNING THE GLOBE

Dow Jones Industrial Average P/E: 18

LAST: **10690.97** ▲ 10.20, or 0.10%
YEAR TO DATE: ▲ **262.92, or 2.5%**
OVER 52 WEEKS ▲ **2,478.48, or 30.2%**



Nasdaq Composite Index P/E: 48*

LAST: **2310.83** ▲ 2.93, or 0.13%
YEAR TO DATE: ▲ **41.68, or 1.8%**
OVER 52 WEEKS ▲ **798.99, or 52.8%**

S&P 500 Index P/E: 76

LAST: **1145.72** ▲ 0.04, or 0.003%
YEAR TO DATE: ▲ **30.62, or 2.7%**
OVER 52 WEEKS ▲ **301.98, or 35.8%**

*Price-to-earnings ratio for the Nasdaq 100 Note: Price-to-earnings ratios are for trailing 12 months

Sources: WSJ Market Data Group; Birinyi Associates

DJIA component stocks

Stock	Symbol	Volume, in millions	Latest	CHANGE Points	CHANGE Percentage
AT&T	T	**8.20**	$26.71	0.07	**0.26%**
Alcoa	AA	**16.00**	15.90	-0.08	**-0.50**
AmExpress	AXP	**3.30**	42.41	0.26	**0.62**
BankAm	BAC	**59.10**	16.70	0.08	**0.51**
Boeing	BA	**1.40**	61.31	0.15	**0.25**
Caterpillar	CAT	**3.20**	61.84	-0.49	**-0.79**
Chevron	CVX	**3.00**	79.52	-0.28	**-0.35**
CiscoSys	CSCO	**17.10**	24.86	0.22	**0.89**
CocaCola	KO	**2.40**	56.98	-0.05	**-0.09**
Disney	DIS	**3.80**	30.97	-0.32	**-1.02**
DuPont	DD	**1.80**	33.98	-0.32	**-0.93**
ExxonMobil	XOM	**7.10**	69.56	-0.11	**-0.16**
GenElec	GE	**26.10**	16.80	-0.03	**-0.18**
HewlettPk	HPQ	**8.00**	52.71	0.49	**0.94**
HomeDpt	HD	**6.10**	28.29	0.16	**0.58**
Intel	INTC	**55.30**	21.24	0.28	**1.34**
IBM	IBM	**3.20**	131.83	1.60	**1.23**
JPMorgChas	JPM	**14.30**	44.46	0.21	**0.47**
JohnsJohns	JNJ	**3.30**	65.03	0.06	**0.09**
KftFoods	KFT	**5.40**	29.12	-0.11	**-0.38**
McDonalds	MCD	**2.90**	62.29	-0.30	**-0.48**
Merck	MRK	**8.00**	39.56	0.63	**1.62**
Microsoft	MSFT	**23.60**	30.55	0.20	**0.66**
Pfizer	PFE	**17.90**	19.28	0.07	**0.36**
ProctGamb	PG	**3.30**	61.57	0.05	**0.08**
3M	MMM	**0.70**	83.69	-0.09	**-0.11**
TravelersCos	TRV	**0.70**	49.10	0.08	**0.16**
UnitedTech	UTX	**1.40**	72.54	-0.02	**-0.03**
Verizon	VZ	**5.90**	31.56	-0.31	**-0.97**
WalMart	WMT	**5.00**	54.54	-0.47	**-0.85**

U.S. stocks: most active...

Stock	Symbol	Volume, in millions	Latest	CHANGE Points	CHANGE Percentage
Citigroup	C	**146.6**	$3.50	$0.00	**0.00%**
BankAm	BAC	**61.6**	16.70	0.09	**0.51**
FordMotor	F	**58.9**	11.56	–0.13	**–1.07**
Intel	INTC	**55.9**	21.24	0.28	**1.34**
SPDR S&P 500	SPY	**53.0**	114.63	0.01	**0.01**
SprintNextel	S	**40.1**	4.12	0.12	**2.91**
CellThrp	CTIC	**35.7**	1.17	–0.17	**–12.69**
PwrShrs QQQ	QQQQ	**34.6**	46.30	–0.05	**–0.12**
US NatGas	UNG	**33.9**	10.02	–0.34	**–3.30**
OracleCp	ORCL	**27.5**	25.25	0.50	**2.02**
GenElec	GE	**26.2**	16.80	–0.03	**–0.19**
SPDR FnclSelSct	XLF	**23.9**	15.17	–0.01	**–0.07**
Microsoft	MSFT	**23.6**	30.55	0.20	**0.66**
AdventrxPharm	ANX	**23.5**	0.39	–0.07	**–15.78**
iShrMSCIEmrgMkt	EEM	**23.2**	42.42	–0.13	**–0.31**

Biggest gainers...

LaBranche	LAB	**3,101.8**	$4.00	$1.22	**43.88%**
RealNtwks	RNWK	**3,420.6**	4.54	0.68	**17.62**
Crocs	CROX	**9,640.8**	7.15	0.85	**13.49**
GramrcyCap	GKK	**805.9**	3.84	0.45	**13.19**
Osteotech	OSTE	**249.3**	3.65	0.41	**12.65**

...Biggest losers

RosettaGenmcs	ROSG	**1,243.2**	$2.11	-$0.98	**-31.84%**
Medifast	MED	**4,242.0**	22.13	-4.87	**-18.04**
PacEthanol	PEIX	**6,988.5**	1.88	-0.32	**-14.55**
EveryGloryIntl	EVK	**40.4**	3.91	-0.44	**-10.11**
Flanders	FLDR	**143.3**	3.93	-0.42	**-9.66**

ADRs of Asian companies*

52-WEEK High	52-WEEK Low	Stock	Symbol	Volume, in OOOs	Latest	CHANGE Points	CHANGE Percentage
$11.69	$6.36	**Taiwan Semi**	TSM	**3,078.3**	$10.90	-0.08	**-0.75%**
4.24	1.65	**Utd Microelectronics**	UMC	**1,881.7**	4.17	0.08	**1.96**
13.30	6.25	**AU Optrncs**	AUO	**1,721.4**	12.76	0.19	**1.51**
82.74	33.09	**BHP Billiton**	BHP	**1,643.8**	80.38	0.27	**0.34**
8.19	3.78	**Siliconware Prec Ind**	SPIL	**1,607.2**	7.54	0.14	**1.89**
59.22	40.20	**China Mobile**	CHL	**1,466.9**	50.54	0.64	**1.28**
6.84	3.71	**Mitsu UFJ Fnl**	MTU	**1,195.0**	5.40	0.10	**1.89**
15.95	8.56	**China Unicom**	CHU	**943.5**	12.90	0.02	**0.16**
18.64	12.59	**SK Telecom**	SKM	**817.1**	17.20	-0.07	**-0.41**
33.75	15.64	**Sony**	SNE	**603.7**	33.71	0.55	**1.66**
59.13	22.61	**Infosys Tech**	INFY	**515.0**	58.72	0.16	**0.27**
17.15	10.60	**Matsushita Elec**	PC	**451.5**	17.02	0.94	**5.85**
9.50	3.96	**Nomura Hldgs**	NMR	**414.6**	8.50	0.15	**1.80**
150.50	47.09	**POSCO**	PKX	**350.1**	133.20	-2.22	**-1.64**
43.95	21.23	**Canon**	CAJ	**343.3**	42.12	-0.08	**-0.19**
81.00	37.43	**China Life Ins**	LFC	**316.8**	71.00	-0.90	**-1.25**
4.49	1.50	**SemiMfgInt**	SMI	**290.0**	4.44	0.44	**11.00**
34.27	9.91	**Aluminum Cp of China**	ACH	**282.7**	31.50	0.05	**0.16**
135.92	63.94	**PetroChina**	PTR	**229.9**	124.14	-2.81	**-2.21**
16.20	6.85	**Korea Elec Pwr**	KEP	**221.9**	16.09	0.07	**0.44**
13.25	2.00	**City Telecom**	CTEL	**204.3**	13.08	0.94	**7.74**
25.65	5.11	**Yanzhou Coal Mining**	YZC	**190.5**	23.37	0.12	**0.52**
5.23	1.49	**Adv Semi Engrg**	ASX	**174.9**	4.86	0.03	**0.62**
90.70	56.79	**Toyota Motor**	TM	**173.9**	90.61	1.42	**1.59**
26.67	17.71	**NTT**	NTT	**154.7**	21.78	0.29	**1.35**
19.56	15.05	**ChunghwaTel**	CHT	**126.0**	18.42	-0.05	**-0.27**
171.59	75.59	**CNOOC**	CEO	**124.8**	159.76	-2.68	**-1.65**
7.74	2.00	**Alumina**	AWC	**110.2**	6.93	-0.14	**-1.98**
36.68	20.28	**Honda Motor**	HMC	**100.5**	36.63	0.20	**0.55**
56.41	31.92	**ChinaTele**	CHA	**99.2**	45.17	1.27	**2.89**

*Most active American depositary receipts tracked by Dow Jones

Source: WSJ Market Data Group

Global government bonds

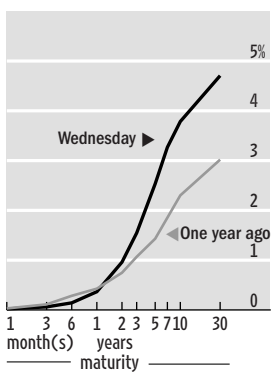
Latest, month-ago and year-ago yields and spreads over or under U.S. Treasurys on benchmark two-year and 10-year government bonds around the world. Data as of 11 a.m. ET

Coupon	Country/ Maturity, in years	Yield	SPREAD OVER TREASURYS, in basis points Latest	Previous	Month ago	Year ago	YIELD Previous	Month ago	Year ago
5.750%	**Australia** 2	**4.565%**	**363.8**	351.8	367.7	**193.1**	**4.445%**	4.535%	**2.646%**
4.500	10	**5.662**	**190.8**	185.5	202.9	**179.5**	**5.585**	5.585	**4.001**
5.000	**Austria** 2	**1.669**	**74.2**	73.8	10.8	**91.1**	**1.665**	0.966	**1.626**
3.900	10	**3.770**	**1.6**	0.5	-3.9	**166.7**	**3.735**	3.517	**3.873**
3.500	**Belgium** 2	**0.902**	**-2.5**	1.2	24.4	**100.2**	**0.939**	1.102	**1.717**
4.000	10	**3.682**	**-7.2**	-9.4	3.3	**171.2**	**3.636**	3.589	**3.918**
1.250	**Canada** 2	**1.331**	**40.4**	36.1	40.8	**21.1**	**1.288**	1.266	**0.926**
3.750	10	**3.595**	**-15.9**	-17.4	-15.2	**34.8**	**3.556**	3.404	**2.554**
4.000	**Denmark** 2	**1.929**	**100.2**	102.5	120.8	**188.6**	**1.952**	2.066	**2.601**
4.000	10	**3.584**	**-17.0**	-16.1	-1.3	**113.4**	**3.569**	3.543	**3.340**
1.500	**France** 2	**1.062**	**13.5**	14.9	34.3	**103.6**	**1.076**	1.201	**1.751**
3.750	10	**3.543**	**-21.1**	-20.5	-10.7	**122.2**	**3.525**	3.449	**3.428**
1.250	**Germany** 2	**1.190**	**26.3**	28.4	38.6	**80.4**	**1.211**	1.244	**1.519**
3.250	10	**3.303**	**-45.1**	-43.0	-37.5	**77.2**	**3.300**	3.181	**2.978**
0.550	**Hong Kong** 2	**0.619**	**-30.8**	-32.9	-49.5	**-16.7**	**0.598**	0.363	**0.548**
2.160	10	**3.046**	**-70.8**	-72.4	-115.6	**-76.4**	**3.006**	2.400	**1.442**
3.750	**Italy** 2	**1.402**	**47.5**	48.6	69.1	**197.5**	**1.413**	1.549	**2.690**
4.250	10	**4.104**	**35.0**	34.9	45.1	**220.5**	**4.079**	4.007	**4.411**
0.200	**Japan** 2	**0.170**	**-75.7**	-75.9	-68.3	**-32.0**	**0.168**	0.175	**0.395**
1.300	10	**1.338**	**-241.6**	-238.5	-225.0	**-94.3**	**1.345**	1.306	**1.263**
4.000	**Netherlands** 2	**0.701**	**-22.6**	-19.5	3.7	**127.6**	**0.732**	0.895	**1.991**
4.000	10	**3.494**	**-26.0**	-25.7	-12.6	**140.3**	**3.473**	3.430	**3.609**
3.200	**Portugal** 2	**1.250**	**32.3**	20.7	43.3	**142.9**	**1.134**	1.291	**2.144**
4.750	10	**4.153**	**39.9**	32.9	30.9	**192.3**	**4.059**	3.865	**4.129**
5.350	**Spain** 2	**1.385**	**45.8**	44.4	58.4	**174.9**	**1.371**	1.442	**2.464**
4.300	10	**3.998**	**24.4**	22.5	24.9	**176.1**	**3.955**	3.805	**3.967**
2.750	**Switzerland** 2	**0.616**	**-31.1**	-30.9	-46.3	**-17.2**	**0.618**	0.395	**0.543**
2.250	10	**2.051**	**-170.3**	-168.4	-163.6	**-3.9**	**2.046**	1.920	**2.167**
3.250	**U.K.** 2	**1.233**	**30.6**	27.7	34.5	**85.9**	**1.204**	1.203	**1.574**
4.500	10	**3.986**	**23.2**	20.9	27.4	**91.8**	**3.939**	3.830	**3.124**
1.000	**U.S.** 2	**0.927**	**...**	...	...	**...**	**0.927**	0.858	**0.715**
3.375	10	**3.754**	**...**	...	...	**...**	**3.730**	3.556	**2.206**

Source: Thomson Reuters

U.S. Treasury yield curve

The curve shows the yield to maturity of current bills, notes and bonds; all data as of 3 p.m. ET.



Ryan Index	Yield to maturity	Modified duration	TOTAL RETURN Month to-date	Quarter to-date	Year to-date	12-month
30-year Treasury	**4.706%**	16.07	–0.99 %	–0.99 %	–0.99 %	–21.94 %
10-year Treasury	**3.785**	8.22	0.55	0.55	0.55	–8.55
7 Year Treasury	**3.268**	6.18	0.86	0.86	0.86	...
Five-year Treasury	**2.534**	4.63	0.78	0.78	0.78	–0.39
Ryan Index	**2.800**	6.66	0.36	0.36	0.36	–5.20
3 Year Treasury	**1.546**	2.93	0.57	0.57	0.57	1.73
Two-year Treasury	**0.960**	1.94	0.40	0.40	0.40	1.65
1 Year Treasury	**0.366**	1.00	0.12	0.12	0.12	1.11
Six-month Treasury	**0.142**	0.50	0.03	0.03	0.03	0.64
Ryan Cash Index-a	**0.147**	0.46	0.04	0.04	0.04	0.56
Three-month bill	**0.061**	0.25	0.01	0.01	0.01	0.37
One-month bill	**0.020**	0.08	...	...	...	0.14

a-Performance of a cash investment

Source: Ryan ALM

Key money rates

	Latest	52 wks ago
Prime rates		
U.S.	**3.25%**	3.25%
Canada	**2.25**	3.50
Japan	**1.475**	1.475
Britain	**0.50**	1.50
ECB	**1.00**	2.50
Switzerland	**0.53**	0.53
Australia	**3.75**	4.25
Hong Kong	**5.25**	n.a.
Libor		
One month	**0.23313%**	0.33375%
Three month	**0.25125**	1.08563
Six month	**0.39875**	1.50125
One year	**0.90500**	1.77125

	Latest	52 wks ago
Euro Libor		
One month	**0.39875%**	2.18625%
Three month	**0.63188**	2.50000
Six month	**0.94500**	2.56875
One year	**1.21313**	2.65375
Hibor		
One month	**0.05964**	0.18643%
Three month	**0.12000**	0.83857
Six month	**0.23929**	1.14357
One year	**0.54857**	1.64214
Asian dollars		
One month	**0.2470%**	0.33%
Three month	**0.2633**	1.0860
Six month	**0.4188**	1.4740
One year	**0.9250**	1.7500

	Offer	Bid
Eurodollars		
One month	**0.3000%**	0.2000%
Three month	**0.3500**	0.2500
Six month	**0.5500**	0.4500
One year	**0.8000**	0.7000

	Latest	52 wks ago
U.S. discount	**0.50%**	0.50%
Fed-funds target	**0.25**	0.25
Call money	**2.00**	2.00
Overnight repurchase rates		
U.S.	**0.13%**	0.28%
U.K. (BBA)	**0.508**	1.475
Euro zone	**0.30**	2.05

Sources: WSJ Market Data Group; Reuters

MARKETS LINEUP

Moving the markets

At right, Japan's benchmark stock index and the biggest movers among the larger Asian stocks indexes and stocks Thursday. Below each index are its most actively traded stocks. The charts show the percentage change in each index's or stock's value, rather than the point change, for purposes of comparison. The index level or stock price is indicated on each axis. All indexes and stocks are shown in local currency terms.

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Asian index movers...

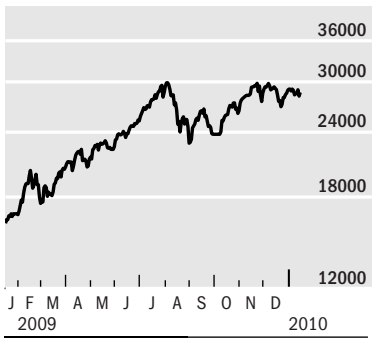
Nikkei Stock Average
Japan 10907.68
▲ **1.61% or 172.65**

The index hit a 15-month high. Tech firms such as Panasonic, up 6.1%, and Sony, up 2.6%, rose on hopes the U.S. earnings season will signal an economic recovery.

Stock	Volume in millions	Change Close	Change Net	Change %
JapanAirlines	**1042.60**	8	1	14.29
Mizuho Financial	**233.18**	186	10	5.68
Mtshbsh Fin Grp	**113.21**	489	10	2.09
MazdaMtr	**57.90**	251	10	4.15
Mitsui Osk Lines	**50.29**	623	42	7.23

CBN 600
China 28624.67
▲ **1.64% or 461.15**

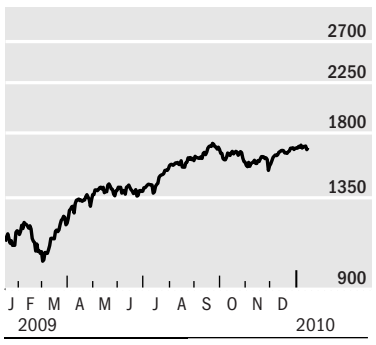
Telecom and media firms led gains after China announced a five-year plan to merge telecom, broadcast TV and Web networks. Guangdong Sunshine Media surged 10%.



Stock	Volume in millions	Change Close	Change Net	Change %
United Network	**236.40**	7.69	0.07	0.92
TCL	**208.37**	5.81	0.46	8.60
China State Con	**187.68**	4.53	0.03	0.67
China Shipping	**178.37**	5.33	0.05	0.95
Icbc	**176.06**	5.09	unch	...

Kospi
South Korea 1685.77
▲ **0.86% or 14.36**

Tech shares gained on expectations that Intel will report solid earnings later Thursday. Samsung Electronics advanced 3.8% and LG Display rose 5.4%.



Stock	Volume in millions	Change Close	Change Net	Change %
Korea Data Sys	**79.92**	245	30	13.95
Tlc Leisure	**21.40**	525	–85	–13.93
Optimus	**16.93**	160	10	6.67
Hansol Homedeco	**15.30**	1,315	–20	–1.50
Samyang Optics	**11.78**	1,230	145	13.36

Straits-Times
Singapore 2909.52
▲ **0.73% or 21.14**

Firmer regional and U.S. stocks boosted the market. Singapore Press Holdings rose 4.4% after reporting better-than-expected quarterly results.

Stock	Volume in millions	Change Close	Change Net	Change %
Golden Agri	**98.14**	0.60	0.01	0.85
Genting Spore	**72.65**	1.23	–0.01	–0.81
Sing Telecom	**24.86**	3.02	0.05	1.68
Cosco	**21.57**	1.35	0.01	0.75
NeptuneOrientLines	**20.18**	1.93	0.04	2.12

Asian stocks in the news

Mizuho Financial Grp
Japan ¥186
▲ **5.7% or ¥10**

Bloomberg reported the firm is considering a share sale to raise funds.

Price-to-earnings ratio	**14**
Earnings per share, past four quarters	**13.10**
Dividend yield	**4.3**

	PERCENTAGE CHANGE Daily	1 wk.	52 wks
Banks	**0.9%**	0.5%	40.3%
Mizuho Financial Grp	**5.7%**	5.1%	-22.5%

Mitsui O.S.K. Lines
Japan ¥623
▲ **7.2% or ¥42**

The Nikkei reported the firm's pretax profit last quarter rose over sixfold from previos quarter.

Price-to-earnings ratio	**none**
Earnings per share, past four quarters	**...**
Dividend yield	**none**

	PERCENTAGE CHANGE Daily	1 wk.	52 wks
Indus Gds & Svcs	**2.0%**	4.1%	60.2%
Mitsui O.S.K. Lines	**7.2%**	12.3%	11.3%

Kawasaki Kisen Kaisha
Japan ¥349
▲ **7.4% or ¥24**

Japanese shipping firms advanced after the Nikkei reported strong resource demand in Asia.

Price-to-earnings ratio	**none**
Earnings per share, past four quarters	**-139.30**
Dividend yield	**none**

	PERCENTAGE CHANGE Daily	1 wk.	52 wks
Indus Gds & Svcs	**2.0%**	4.1%	60.2%
Kawasaki Kisen Kaisha	**7.4%**	15.2%	-7.4%

Lenovo Grp
Hong Kong HK$5.90
▲ **7.9% or HK$0.43**

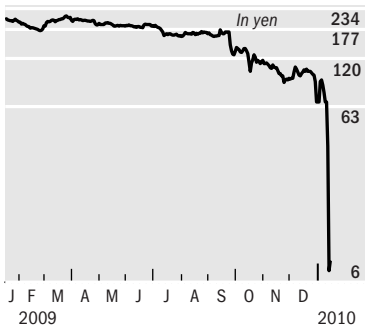
The firm's personal-computer shipments jumped 42% in the fourth quarter.

Price-to-earnings ratio	**none**
Earnings per share, past four quarters	**-0.28**
Dividend yield	**0.2**

	PERCENTAGE CHANGE Daily	1 wk.	52 wks
Technology	**2.1%**	3.1%	85.4%
Lenovo Grp	**7.9%**	8.5%	293.3%

Japan Airlines
Japan ¥8
▲ **14.3% or ¥1**

Trading volume surged as speculators sought quick profits ahead of an expected bankruptcy filing.

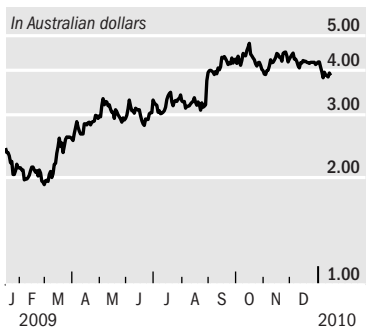


Price-to-earnings ratio	**none**
Earnings per share, past four quarters	**-98.80**
Dividend yield	**none**

	PERCENTAGE CHANGE Daily	1 wk.	52 wks
Travel & Leisure	**0.7%**	2.6%	15.1%
Japan Airlines	**14.3%**	-89.5%	-96.0%

Harvey Norman Hldgs
Australia A$3.87
▼ **1.5% or A$0.06**

The stock is down 8.3% this year.



Price-to-earnings ratio	**19**
Earnings per share, past four quarters	**0.20**
Dividend yield	**1.6**

	PERCENTAGE CHANGE Daily	1 wk.	52 wks
Retail	**0.3%**	1.6%	37.8%
Harvey Norman Hldgs	**-1.5%**	-2.0%	59.9%

Yakult Honsha
Japan ¥2,608
▼ **1.9% or ¥50**

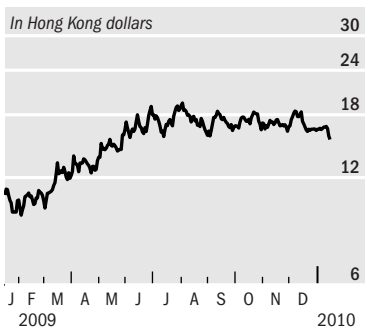
Credit Suisse cut the stock to underperform this week.

Price-to-earnings ratio	**48**
Earnings per share, past four quarters	**54.00**
Dividend yield	**0.8**

	PERCENTAGE CHANGE Daily	1 wk.	52 wks
Food & Beverage	**0.6%**	1.9%	47.5%
Yakult Honsha	**-1.9%**	-3.4%	43.1%

Ch Overseas Ld & Inv
Hong Kong HK$15.34
▼ **2.3% or HK$0.36**

Worries about tighter lending policies in China weighed on developers and banks in Hong Kong.



Price-to-earnings ratio	**22**
Earnings per share, past four quarters	**0.70**
Dividend yield	**0.9**

	PERCENTAGE CHANGE Daily	1 wk.	52 wks
Real Estate	**-0.1%**	-0.9%	52.3%
Ch Overseas Ld & Inv	**-2.3%**	-7.7%	43.1%

Nissin Foods Hldgs
Japan ¥2,947
▼ **2.6% or ¥78**

Daiwa cut its rating on the stock, a day after Morgan Stanley cut its target price on the shares.

Price-to-earnings ratio	**19**
Earnings per share, past four quarters	**157.50**
Dividend yield	**2.0**

	PERCENTAGE CHANGE Daily	1 wk.	52 wks
Food & Beverage	**0.6%**	1.9%	47.5%
Nissin Foods Hldgs	**-2.6%**	-3.7%	4.0%

Shimao Prop
Hong Kong HK$12.68
▼ **4.4% or HK$0.58**

Property stocks fell again in Hong Kong on fears that Beijing will rein in lending.

Price-to-earnings ratio	**34**
Earnings per share, past four quarters	**0.38**
Dividend yield	**1.8**

	PERCENTAGE CHANGE Daily	1 wk.	52 wks
Real Estate	**-0.1%**	-0.9%	52.3%
Shimao Prop	**-4.4%**	-13.0%	181.8%

HEARD ON THE STREET

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Risks veil big earnings upside at Rusal

UC Rusal is a risky investment. So what else is new?

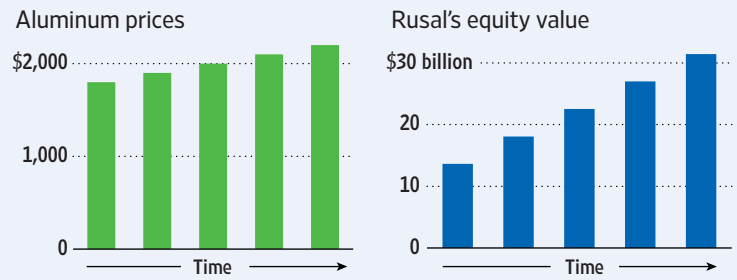
The Russian aluminum maker's Hong Kong stock listing certainly emits a whiff of danger: High debt, heavy losses, repeatedly denied allegations of criminal ties concerning Rusal's boss Oleg Deripaska. Hong Kong regulators sidelined retail investors in the initial public offering, turning the listing into something more like a private placement for professionals.

Amid all this, it's easy to overlook the profit story that's drawing investors in; among them are fund managers John Paulson and Nathaniel Rothschild, who've each put up $100 million. With this crowd—they're growing in numbers—in a risk-taking mood these days, Rusal, and its bankers, may find that they have timed the market well.

Rusal is a bull-market bet that rests on two pillars: low production costs, a given, and high aluminum prices, an assumption pegged to continuing growth in China and the rest of Asia.

Levered to aluminum

Here's how Rusal's equity value grows or shrinks with the price of aluminum per metric ton, assuming a weighted average cost of capital of 10%.



Source: Liberum Capital

In 2008, before aluminum prices slumped, Rusal's margin on earnings before interest, tax, depreciation and amortization was over 17%, compared with 9.2% at **Aluminum Corp. of China** and 12.3% at **Alcoa**. A 2010 aluminum price of $2,000 per metric ton, U.K. broker Liberum Capital says, will return Rusal's Ebitda to that 2008 level—roughly $2.5 billion. Having rebounded from its financial crisis lows, the price of aluminum is currently $2,300 a metric ton, enough to generate $3.8 billion in Ebitda on an annual basis, by Liberum's reckoning.

On its own, this profit story is compelling. So is the growth story: Rusal's position as the lowest-cost major exporter of aluminum to China.

But with a company sporting leveraged-buyout-scale debt, there's little room for error. Rusal's $14.9 billion net debt load, close to six times forecast Ebitda, means that if the world economy falters or a crisis hits China and aluminum prices collapse, things could go south fast.

The valuation discount that reflects all this risk? Actually, there isn't one. The valuations implied by the price range of its offering make it look cheaper than Aluminum Corp. of China, which is also listed in Hong Kong, but pricier than Alcoa. Mr. Deripaska's holdings will fall below 50% after the offering, but he'll still be in control, a concern if you believe the interests of small shareholders won't be topmost on his mind.

Global appetite for risk is such that some big names are willing to make the tradeoff for a taste of the potential upside. That's good news for Rusal.

—Peter Stein

Small Japanese airline shows how to turn profit

A Japanese airline making money?

Skymark Airlines isn't a household name, even in Japan. But taking cues from its low-cost counterparts around the world, it will do what big carriers **Japan Airlines** and **All Nippon Airways** won't this fiscal year: turn a profit.

Investors who sniffed out this small stock, listed on Tokyo's Mothers exchange for start-ups, have been rewarded handsomely. Shares have nearly quadrupled in price over the past year.

What is Skymark doing right? The carrier, which started flying in 1998, has streamlined its fleet over the last few years to a single jet type, one that has become a standard among low-cost carriers, the Boeing 737.

That model is both smaller and more fuel-efficient than the 767 Skymark once flew, which means it needs fewer passengers to break even and has fewer empty seats on each flight. In the first half through September, Skymark's load factor was 76.3%, much higher than the 63.3% in March 2007, when the majority of its fleet was the 100-seat-larger 767.

Equally important, greater plane varieties translate into higher maintenance, spare-parts and training costs. Its maintenance costs dropped as a percentage of revenue from 21% to 13% in the same period.

Another factor is lower total labor costs. Skymark has staffers trained to do different jobs, such as employees who act as flight attendants, check passengers in and clean planes. That also means less need for extra cabin staff on standby.

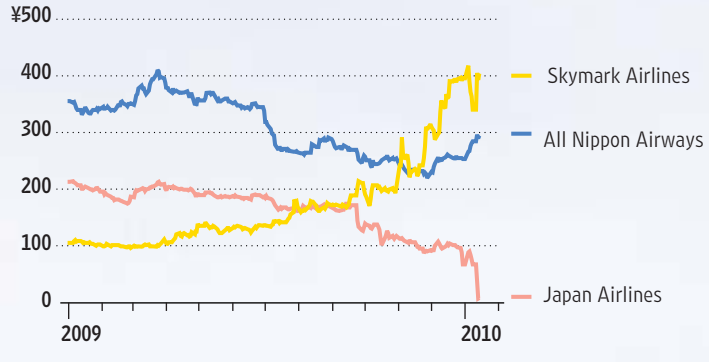
There is an opportunity ahead, too. As JAL drops money-losing domestic routes, Skymark and other small start-ups could step in and make them profitable.

Its price gain has been whopping, but Skymark still trades at less than 12 times expected earnings, according to data provider Starmine. It's not just investors who might want to take a closer look. Tokyo ought to consider Skymark's successes as it looks to cut JAL's heavy burden.

—James Simms

Taking off

Performance of Skymark, Japan Airlines and All Nippon Airways since Jan. 1, 2009



Sources: Thomson Reuters Datastream, Bloomberg News

Rising trouble for landlords poses new risk to U.S. banks

Commercial real-estate problems may be about to douse the recent rally enjoyed by regional banks in the U.S.

As banks start releasing fourth-quarter earnings this week, the losses and reserves tied to commercial real-estate loans could spike even higher than some analysts think.

Regional banks could get hit hardest, given typically greater exposure to commercial property than their bigger peers.

The stress is building. This month, market researcher Reis Inc. announced sharp declines in rents and occupancies in all property classes, giving landlords less cash flow to service debt. Foresight Analytics estimates delinquencies on commercial real-estate loans held by banks will rise to 9.47% in the fourth quarter from 5.49% a year earlier.

This could interrupt the 15% jump since early November in the KBW Regional Banking ETF, which tracks regional bank shares. The rally was partly triggered by acquisitions of failed banks from the FDIC by the likes of **East West Bancorp**.

But nasty surprises could be lurking, if **Associated Banc-Corp**.'s fourth-quarter earnings are any guide.

The Wisconsin-based bank on Monday said it took "additional steps" late in the quarter to perform a more extensive review of "criticized loans," particularly on its construction and other commercial-property debt.

Blaming commercial real estate primarily, the company recorded credit-related charges of $405.1 million in the latest quarter, up significantly from $95.4 million for the third quarter and $65 million in the same period a year earlier.

Commercial real-estate woes also bode poorly for regional banks because before the crisis the lenders relied heavily on the sector for profits.

Even if the economy improves and the delinquency rate drops, they're likely going to be deprived of an important key earnings source for years.

—Lingling Wei

Current cold spell won't snap oil refiners' bad-news parade

The weather outside is frightful, but for oil refiners, it's so delightful. Unfortunately for them, it shows signs of stopping.

A colder-than-average winter from December through March in the Northern Hemisphere might normally add another 670,000 barrels a day to normal global consumption of distillate oil, says research firm JBC Energy. But current distillate inventories could yield 1.4 million barrels a day. Barring blizzards stretching far into spring, the supply overhang will remain.

Even the cold snap of the past three weeks or so didn't boost energy prices much. Energy economist Phil Verleger says that based on historical trends, New York heating oil should have jumped 60%. Instead, the spot price rose about 13%. Futures for the next 12 months rose slightly less on average, reflecting the inventory overhang.

Refining stocks, down 75% from a June 2007 peak, have staged a rally. Gulf Coast refining margins are up since Christmas. But, as Morgan Stanley analyst Evan Calio points out, they remain below a weak 12-month average of $7.10 a barrel.

Crude oil's strength is pressuring margins. Demand for refined products like distillate is tied closely to U.S. economic growth and the seasons. The former looks weak and the latter is fleeting. Meanwhile, crude oil swings more readily to global rhythms, like geopolitics and Chinese demand.

Battered refining stocks look cheap compared with recent history and have enjoyed several rallies like this one on the way down. But recent history looks like a brief golden age. The forecast is for overcapacity, with long-term structural decline in U.S. oil consumption to follow.

—Liam Denning

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